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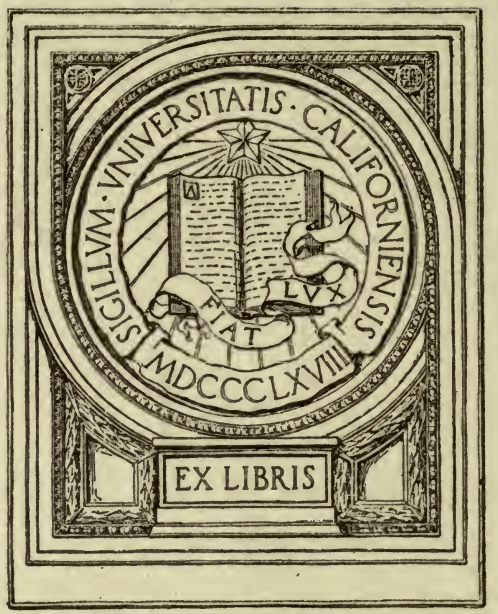
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A MANUAL
for
POST EXCHANGES

BY

FLOYD D. CARLOCK

United States Army

UNIV. OF
CALIFORNIA

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PREFACE

In writing this manual the author has presumed that his readers, generally, would be men without special training and experience in modern bookkeeping, accounting, and auditing. These subjects have therefore been presented in an elementary, complete, and simple way. While written especially for exchange officers and members of exchange councils, it is believed that the business knowledge to be acquired by studying this manual will be invaluable to officers and noncommissioned officers engaged in other kinds of army administrative and supply work.

The author wishes to acknowledge his indebtedness and to express his appreciations and thanks to Brigadier General Henry C. Hodges, Jr., U. S. A., who read the manuscripts and made many valuable suggestions, and to Professor Raymond W. Pence, De Pauw University, who assisted him in reading the proofs.

Post Exchange, Fort McPherson, Ga., F. D. C.
July 1, 1917.

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UNIV. OF CALIFORNIA

A MANUAL FOR POST EXCHANGES

CHAPTER I

REGULATIONS FOR POST EXCHANGES

1. The Post Exchange is not established by law. Its existence, however, has been recognized and sanctioned by the Congress in the two following cases:

2. That hereafter no money appropriated for the support of the Army shall be expended for post gardens or exchanges; but this proviso shall not be construed to prohibit the use by post exchanges, of public buildings or public transportation when, in the opinion of the Quartermaster General, not required for other purposes. *Act of July 16, 1892 (27 Stat. 178).*

3. The sale or dealing in beer, wine, or any intoxicating liquors by any person in any post exchange or canteen or Army transport or upon any premises used for military purposes by the United States is hereby prohibited. The Secretary of War is hereby directed to carry the provisions of this section into full force and effect. *Sec. 38, Act of Feb. 2, 1901 (31 Stat. 758).*

Army Regulations

4. Post exchanges are established and maintained under special regulations issued by the War Department.

The amount of indebtedness of a soldier to a post exchange contracted in accordance with such regulations will be noted on the pay roll for the next succeeding month and be deducted, if practicable, from his pay by the quartermaster making the payment and turned over to the post exchange officer, who will duly receipt to the quartermaster and the soldier for the amount so received. In case of discharge of a soldier the amount of any such indebtedness will be noted on the final statement, and in like manner deducted from payment made thereon. *(Par. 345, A. R., 1913.)*

5. The sale of, or dealing in, beer, wine, or any intoxicating liquors by any person in any post exchange or canteen or Army transport, or upon any premises used for military purposes by the United States, is prohibited. Commanding officers will carry the provisions of this paragraph into full force and effect, and will be held strictly responsible that no exceptions or evasions are permitted within their respective jurisdictions. *(Par. 346, A. R., 1913.)*

6. The Post Exchange . . . . . council of administration is assembled to audit the exchange . . . . . fund, to ascertain and examine the sources from which, and methods by which, they have accrued, and to recommend expenditures therefrom. The Post Exchange Officer . . . . . is the custodian of the Exchange Fund. *(Ext. Par. 316, A. R., 1913.)*

7. . . . . The Post Exchange Council . . . . . will meet at the end of each month and when necessary. It will also meet at the call of its president. The Post Exchange Council will consist of the officer in charge of the exchange and the commanding officer of each organization participating in the exchange. It may delegate to an executive committee of its own members the performance of such portion of the duties prescribed for the council as the council may decide. A formal order convening the . . . . . post exchange council is not necessary. *(Ext. Par. 317, A. R., 1913.)*

8. The junior member of the council will record its proceedings in an appropriate book, to include a written certificate of the responsible officer that the funds are on deposit in a reputable banking institution named in the certificate, or a statement that they have been exhibited to the council, which proceedings will be signed by the president and recorder. The post or other commander will require the proceedings to be kept as this regulation prescribes. Those of the exchange council will be submitted to the post or other commander, who will sign his approval or objection in the council book. Should the post or other commander disapprove the proceedings, and the council, after reconsideration adhere to its conclusions, a copy of the proceedings will be sent by the commanding officer to the department commander, whose decision thereon will be final. The final orders in each case will be entered in the council book. *(Ext. Par. 318, A. R., 1913.)*

9. The commanding officer who approves the appropriations of a council, will be held responsible for all expenditures not made in accordance with regulations. *(Ext. Par. 320, A. R., 1913.)*

10. In case of loss of the exchange fund, the circumstances will be carefully investigated and reported by a board of three officers, with recommendations as to responsibility, for the decision of the department commander. *(Ext. Par. 321, A. R., 1913.)*

11. No projects by which money will accrue will be entered upon under color of military control without specific authority from the War Department. *(Par. 323, A. R., 1913.)*

12. Under no circumstances will the . . . . . post exchange funds be taken away from the post where the organization to which they pertain is stationed, except as may be necessary to pay indebtedness or for deposit in a bank.

Should the officer who is the custodian of these funds be taken from the post, on leave or otherwise, for any period beyond three and less than ten days, he will leave the funds with the officer acting in his place. If an officer is to be absent for more than ten days he will regularly transfer the funds of which he is custodian to his successor.

In transferring funds to the successor, the accountable officer will make the following certificate, including list of outstanding debts and obligations, in the . . . . . council book . . . . . :

I certify that, to the best of my knowledge and belief, the following is a complete and accurate statement of all outstanding debts and obligations to date payable from this fund.

(C. A. R. No. 6, May 13, 1914.)

. . . . . The post exchange . . . . . funds referred to in paragraph 6 *(Par. 316, A. R., 1913)* will if deposited in a bank, be placed under their official designation, as, for example, "Post Exchange Fund, Fort Garrison," and not to the credit of the officer who is custodian. *(Ext. Par. 324. A. R., 1913.)*

13. The post exchange council will fix laundry charges and prices charged by tradesmen for making and repairing uniforms of enlisted men. *(Par. 319, A. R., 1913.)*

14. A soldier may, when necessary, be relieved from ordinary military duty to make, repair, or alter uniforms. The post exchange council will fix the rates to be charged, which will not exceed the cost of doing such work at the clothing depot, and company commanders will cause to be deducted from the pay of enlisted men and turned over to the proper person the amount properly due therefor. The provisions of this paragraph will be construed to apply to civilian tailors, who conform to prices fixed by post exchange council, as well as to enlisted men detailed for that duty by proper authority. *(Par. 279, A. R., 1913.)*

15. Valuable books pertaining to a post library which have become unserviceable by fair wear and tear will, when practicable, be repaired, and the cost of repair will be a proper charge against the funds of the post exchange. *(Par. 335, A. R., 1913.)*

16. Seeds for post gardens may be procured from post exchange funds, or from company funds. *(Par. 343, A. R., 1913.)*

17. At any post where building material can be obtained without expense to the Government, and it is desired to erect

buildings by labor of the troops for use as post exchanges, gymnasiums, bowling alleys, and other places of amusement, the post commander is authorized to use the necessary teams and such tools, window sashes, doors, and other material as may be on hand and can be spared. *(Par. 339, A. R., 1913.)*

18. Authorized stoppages will be entered on the pay rolls and deducted at times of payment in the following order:

(1) Reimbursements to the United States.

(2) Reimbursements to individuals, as the quartermaster of post exchange, for instance. . . . . *(Ext. Par. 1370, A. R., 1913.)*

19. A post exchange is allowed such quantity of fuel for the heating of the same as may be certified to as necessary by the officers in charge and approved by the commanding officer. *(Ext. Par. 1044, A. R., 1913.)*

20. A post exchange may purchase, upon the certificate of the officer in charge that they are for sale to enlisted men of his post in such quantities as are needed by them, the following articles of uniform clothing:

Belts, waist
Chevrons (all kinds)
Cords:
  Hat
  Tying, for service hats
Laces (all kinds)
Leggings, canvas
Ornaments, cap and collar
Stockings

Post commanders will regulate the purchase and resale of such articles. Selling (except by the post exchange) or bartering these articles purchased or drawn from the Quartermaster Corps is forbidden. *(Par. 1174½, A. R., 1913.)*

21. A post exchange may purchase *(subsistence)* stores upon the certificate of the officer in charge, and such purchases, when paid for within the calendar month in which made, are regarded as cash sales. *(Ext. Par. 1241, A. R., 1913.)*

22. Civilian employees at military posts, including the employees of post exchanges, may be furnished the medical supplies prescribed for them by a medical officer under such regulations as the Surgeon General may establish in accordance with law. *(Par. 1457, A. R., 1913.)*

23. All garrisons and posts will be inspected at least once in each fiscal year by the inspector of the department or his assistants. Ungarrisoned posts will be inspected at such times as the department commander may direct, ordinarily once in two years.

Inspections of garrisons and posts will embrace the following subjects:

* * * *

(16) Management and success of post exchange, and whether properly supplied and conducted according to regulations; extent, necessity for, and kinds of gardens, success attending, and number of men employed therein.

(17) Management and application of the . . . . . post exchange funds, and whether the provisions of Article XXXIII *(Pars. 323, 324, A. R., 1913)* are complied with. *(Ext. Par. 889, A. R., 1913.)*

AMENDMENTS

24. The chaplain's fund will consist of the gross amount of money received from all sources for such fund. The chaplain will keep an account of this fund and also a complete list of all property purchased from this fund or donated for the use of the command or station. The chaplain's fund account will be inspected by the post, regimental, battalion, or squadron commander at least once each quarter. The chaplain's fund will pertain to that particular post or organization for which it was originally intended and remain with such post or organizations when a chaplain is transferred.

At a station where there are two or more chaplains on duty, the commanding officer will designate the chaplain to account for the fund and property pertaining to the station separate from the fund and property pertaining to any organization at that station. *(Par. 328½, A. R. 1913.)*

POST EXCHANGE REGULATIONS

25. PURPOSE. The Primary purpose of the post exchange is to supply the troops at reasonable prices with the articles of ordinary use, wear, and consumption, not supplied by the Government, and to afford them means of rational recreation and amusement. Its secondary purpose is, through exchange profits, to provide, when necessary, the means for improving the messes. The making of large profits for this latter purpose should not be encouraged. Undertakings not authorized by the Army Regulations or the orders or instructions of the War Department for the purpose of accumulating company funds are prohibited.

When troops are absent from posts the commanding officer thereof, may, in his discretion, authorize the establishment of camp, regimental, battalion, company, or detachment exchanges.

Such exchanges will be conducted, as far as practicable, in conformity to these regulations. *(Par. 1.)*

26. BUILDINGS. At every post the post commander will institute a post exchange. For this purpose, if buildings are not specifically provided, he may set apart any suitable public building or rooms that are available, or authorize the renting of any private building or part thereof on the reservation (the rental to be paid from the funds of the exchange), or when sufficient exchange funds are available, may cause a suitable building to be erected for the purpose; and if a temporary building, or if constructed wholly or in part by the labor of troops, use of the necessary teams and such tools, window sash, doors, and other material as can be spared by the Quartermaster's Department is authorized; but no permanent structure will be erected on a reservation without first obtaining the authority of the Secretary of War. When the exchange building is the property of the United States, repairs and alterations will be made as far as practicable by the Quartermaster Corps. When necessary and authorized repairs and alterations cannot be so made, the expense thereof will be borne by the exchange. *(Par. 2.)*

27. THE EXCHANGE OFFICER. The management of the affairs of the exchange will be conducted by an officer designated "Exchange Officer," selected and detailed by the commanding officer. The exchange officer is in charge of the exchange and is responsible for its management. He should be fully in sympathy with the purposes of the exchange, should be a good and close buyer, and possess the business qualifications necessary to the success of the exchange. He should take every precaution to have an honest steward and attendants, frequently checking their accounts in person. As custodian of funds belonging to enlisted men he will keep the cash book himself. At the close of each day's business he should check up the steward's daily report of cash and coupons received, and, after verification, enter these data in the cash book, as well as all other transactions involving cash receipts and expenditures, and deposit the cash on hand in the safe. A file of the exchange steward's daily report should be kept to support the cash record. No employee should have access to the cash of the exchange after it is turned over to the exchange officer. He will be assisted by a steward and such other attendants as the business may warrant. In establishing a new exchange, and at posts where the business is small, the steward and attendants may be enlisted men, but where practicable, civilians will be employed instead in all exchanges whose financial condition will justify the expense, and in selecting them preference will be given to retired enlisted men and honorably dischargd soldiers. *(Par. 3.)*

28. THE EXCHANGE STEWARD. The exchange steward, who, if an enlisted man, should be a noncommissioned officer, should be an accountant, possessing a good knowledge of bookkeeping and commercial customs, of unquestioned integrity, and of sufficient firmness and strength of character to enforce order and discipline about the premises. In the absence of the exchange officer he is in immediate control of the business, and must, therefore, possess the confidence of his superior, both as to his probity and capability. Except in cases where a bookkeeper is employed, the steward will keep the records and books

of the exchange under the supervision of the officer in charge. The steward will submit a daily report made from the sale slips of the cash, credit, and exchange check sales, of cash received on credit accounts, and other amounts due the exchange; and all disbursements, supported by proper vouchers, should also be listed on this report.

These reports, exhibiting the exchange officer's approval, will be placed on file in a conspicuous place in one of the exchange rooms. *(Par. 4.)*

29. THE EXCHANGE COUNCIL. The council may be convened at any time at the call of its president or by direction of the commanding officer, and subject to the approval of the latter will designate the articles to be kept for sale, fix the prices at which they shall be sold, authorize all purchases of supplies, and fix the schedule of charges of the barber shop, laundry, etc. At the end of every month it will meet to examine the books of the exchange and inspect the quality of the articles for sale, and see that the exchange regulations are complied with.

Prior to the meeting of the council the commanding officer will designate one member of the council, other than exchange officer, to audit the accounts of the exchange.

The officer so designated will certify in the exchange council book that he has audited the accounts of the exchange and that the financial condition of the exchange as shown in the council book is correct. (For suggestions as to auditing see pages 38 and 147.)

At the end of each month it will take a thorough inventory of the stock, cash, and fixtures. A statement of the result of the monthly investigation and of the accounts of the exchange officer, showing the receipts and expenditures during the month, the assets and liabilities and the value or net worth of the exchange at the end of the month; the increase or decrease in the value of the exchange since last report; the profit or loss in the different departments, etc., constituting this increase or decrease; the percentage of gross profit will be entered in a book and submitted to the commanding officer for his action.

A copy of the statement, with the commanding officer's remarks indorsed thereon, will be exhibited in one of the rooms of the exchange during the ensuing month. Any question not involving pecuniary responsibility upon which the exchange council and commanding officer may disagree will be submitted for final decision to the department commander.

The exchange council, with the approval of the commanding officer, may bond in a reasonable amount for the proper handling of the funds intrusted to them, the exchange officer and such of the employees of the exchange as deemed necessary; and may authorize the employment of an expert accountant at stated intervals to audit the books of the exchange; the expense of both measures to be borne by the exchange. *(Par. 5.)*

30. THE SUB-COMMITTEE OF NONCOMMISSIONED OFFICERS. A sub-committee of noncommissioned officers, one from each company, to be selected by the captain as best fitted to represent the interests of the enlisted men thereof, will be convoked by the commanding officer not less than four times a year. The committee will orally, or in writing, submit to the council its views in respect to the immediate internal operations of the exchange, and recommend any changes that may be desired by the enlisted men, but it is not empowered to criticize the management. Its views and recommendations will be carefully and respectfully considered by the council, whose action thereon will be reviewed by the commanding officer. *(Par 6.)*

31. RULES OF ORDER. Rules of order will be prescribed by the officer in charge, under the commanding officer. Gambling or playing any game for money, or anything of value, is forbidden in any exchange. Civilians, other than those employed and resident on the military reservation, will not be permitted to enter rooms of an exchange without first obtaining the authority of the exchange officer. *(Par. 7.)*

32. FIRST EXPENSE OF STOCK AND FIXTURES. The expense of fitting up the quarters of the exchange and procuring the necessary articles for the first stock and fixtures

may be met by an assessment upon the funds of the several organizations contributing to the institution, or these may be contracted for, or procured on credit. When procured on credit, the bills must be paid from the first profits, and it is to be distinctly understood that the officers incurring the debt are responsible for the payment, and not the Government. The Quartermaster Corps is authorized to sell for cash to exchanges at cost, with price of transportation added, such articles of forage, furniture, and fixtures as may be needed and can be spared from stock on hand. *(Par. 8.)*

33. EXCHANGE MEMBERSHIP. Members of the exchange must be organizations, companies, or detachments. By "detachments" is meant an organization consisting of a number of enlisted men not belonging or attached to a company, such as the Quartermaster Corps, Medical Department, Signal Corps, or Band.

Individual enlisted men, such as post or regimental noncommissioned officer, or individual members of the Medical Department, Signal Corps, or Quartermaster Corps, cannot become members of the exchange unless three or more of them are associated in a mess.

When an exchange is first established the exchange council will fix the amount necessary to its establishment. When this amount has been determined it will be divided into a number of shares equal to the maximum authorized enlisted strength of all organizations, companies, and detachments desiring to become members. The amount to be paid by each organization, company, and detachment shall be determined by multiplying the value of one share by its authorized maximum enlisted strength. Whenever a company or detachment applies for membership in an exchange already organized, a careful estimate of the market value of the property will be made by a disinterested officer—preferably a field officer—who, whenever practicable, will be assisted in the performance of the duty by a representative of each party in interest; these appraisers will be designated by the post commander. The estimate must be approved by the commanding officer, or submitted on appeal

to the department commander, whose decision will be final. The amount to be paid by the incoming organization shall be determined by dividing the amount of appraisal by the number of shares already owned in the exchange and multiplying this result by the authorized maximum enlisted strength of the incoming organization. The sum thus paid into the funds of the exchange should be regarded the same as funds resulting from any other sale, and go to increase its cash account or working capital. It should not be divided among the members excepting as it may become divisible as a subsequent declaration of dividends. A company joining the exchange when unable to pay its assessment in cash may be charged with it, and such charge may be liquidated from the company's share of the profits of the exchange. An organization joining should pass to the exchange some written evidence of its debt and obligation to pay the amount assessed, and such paper should be carried on the books of the exchange as a "bill receivable" and be regarded as an asset, which should be reduced in value from time to time as the profits are divided. When an organization, by reason of change of station or for other cause, desires to withdraw from an exchange the value of its share being determined, that sum will be withdrawn from the gross funds of the exchange and paid over to the withdrawing organization. Credit checks for all debts due the exchange from enlisted men of the organization, will be turned over as so much cash to the withdrawing organization, and such checks pertaining to men still belonging to the organization may be used in part payment of entrance assessment into another exchange, in which case they will become debts due the new exchange and will be collected or disposed of as prescribed in paragraph 39.

Any amount due, but, for lack of available funds, not paid to a company when retiring from the exchange, should be paid out of the first profits accruing to the institution; the amount so due and unpaid should be carried on the books of the exchange as a "bill payable" and be regarded as a liability until liquidated. *(Par. 9.)*

[Membership in the post exchange is not obligatory on the units which go to form a garrison. *(Decision of Acting Secretary of War, April 20, 1908—1366931 A. G. O.)*]

34. EXCHANGE FEATURES. An exchange doing its full work should embrace the following sections: (a) A well-stocked general store in which such goods are kept as are usually required at military posts, including tickets to approved entertainments; (b) A well-kept restaurant supplied with as great a variety of viands as circumstances permit, such as tea, coffee, cocoa, non-alcholic drinks, soup, fish, cooked and canned meats, sandwiches, pastries, etc.; (c) Reading and recreation rooms, supplied with books, periodicals, and other reading matter, billiard and pool tables, bowling alley, and facilities for other proper indoor games; (d) A well-equipped gymnasium, possessing also the requisite paraphernalia for outdoor athletics, sports and games, such as baseball, football, tennis, cricket, polo, golf, etc.; (e) Barber shop, laundry, tailor shop, and shoe-repair shop.

No other features than those enumerated will be added to the business of an exchange without the authority of the War Department. Keeping an open account with individuals against which checks may be drawn is not a proper feature of the exchange and is forbidden.

Post exchanges may, however, as an accommodation to discharged soldiers, cash their final statements. No charge will be made for the accommodation, but a small part of the value of the final statements may be retained until the account is paid by the paymaster, to insure against loss due to error in calculating interest, travel pay, etc.

The amount retained, less cost of exchange or postoffice order, will be transmitted to the soldier as soon as the actual state of account is known.

The exchange assumes no liability for errors for overpayments to soldiers made by quartermasters, the liability resting on the company commander who signs the accounts or the quartermaster who pays them, according to the source of the error.

While it is not required that exchanges shall cash final statements of discharged soldiers, it should be done if practicable whenever final statements cannot be cashed otherwise without delay or expense to the soldier.

The practice of obtaining occasional services from post exchanges, post laundries, and other quasi public agencies that are established and maintained at military posts by the authority of the War Department, will hereafter be authorized only in cases in which services of the same class cannot be as conveniently or reasonably obtained elsewhere and where a direct advantage will accrue to the Government from the method resorted to. In no case will a post exchange or post laundry be permitted to enter into public competition or to submit bids in response to advertisements calling for proposals for furnishing supplies or services. When accounts are submitted for purchases of the kind described above, the vouchers will contain a full statement of the grounds upon which the purchase of supplies or the procurement of services was based and will fully set forth all the circumstances of the transaction, with a view to enabling the proper bureau of the War Department and the accounting officers of the Treasury Department to determine whether the purchase was in the public interest. Public funds received for such services will be taken up in the accounts of the post exchange or post laundry, and will be accounted for in the manner prescribed for such accounting in the Army Regulations. *(Par. 10.)*

35. PURCHASE AND SALE OF GOODS. Purchases will be made by the exchange officer, but articles in considerable quantities will be procured under contract by the exchange officer, with the approval of the council. In no case will orders for goods, however small, be given by the enlisted attendants to the person furnishing them, nor shall the steward or any employee of the exchange have, either directly or indirectly, any personal interest in the purchases, sales, profits, or any advantage of wastage or perquisites of any kind whatever. Whenever contracts or agreements for purchases are made by exchange authorities, who by change of station or

other cause are removed, such contracts or agreements must be carried out by their successors. The Quartermaster Corps is authorized to sell to the exchange at cost price any of the articles composing the ration and such other articles as may be on hand for sale. But in reselling such goods in small quantities, except meat, no profit will be charged by the exchange beyond the fractions of cents that are necessary in making change.

All goods purchased on account of the exchange should be delivered to it and properly accounted for on its books.

36. LUNCHROOM AND PRICE LISTS. In the lunchroom prices should be made as low as the cost of the articles, increased by expenses of attendants and waste, will permit. Other than this the tariff of prices will be regulated by the circumstances surrounding each exchange. Printed or written price lists will be conspicuously posted in the various sections, and will be corrected when necessary. *(Par. 12.)*

37. CHECKS OR COUPONS. The use of checks or coupons representing values, and exchangeable for merchandise or other charges at the exchange, is *encouraged* merely; but care should be taken that these checks are not disposed of to unauthorized persons, and to provide against this, they should never be redeemed in cash. When permitted by the commanding officer, they should be sold by the exchange officer and regarded as a liability until redeemed.

The coupon-book system of extending credit to enlisted men will be used by all exchanges conducted at posts where more than two organizations are stationed, except at temporary stations and at places where conditions of service have made it impracticable to procure the coupon books.

These coupon books will bear the name of the enlisted men to whom issued and will be honored at the exchange only when presented by the enlisted man whose name appears on book.

Checks or coupons, are, under certain circumstances, as valuable as cash. The exchange officer on taking charge of an exchange should verify the amount of checks or coupons turned

over to him, and thereafter should carefully keep an account of receipts and issues. *(Par. 13.)*

38. SYSTEM OF KEEPING ACCOUNTS. A double entry system of bookkeeping will be used. The exchange officer will keep the accounts of the exchange so that the status of the exchange can be readily understood at any time, and so as to afford the information necessary to render the reports herein prescribed. All business of the exchange must be transacted in its name, and not in that of the exchange officer. All invoices, receipted bills, and other books and papers relating to the business of an exchange, except the exchange council book, and pertaining to accounts that have been closed for more than six years, may be destroyed as no longer required for the protection of the exchange, except in the case of location of an exchange where the statute of limitations prescribes a longer period on such accounts in which case the papers will be kept for such longer period. The papers specified will be destroyed under the direction of the commanding officer by the exchange officer, who will record the action in the exchange council book, which will be continued as a permanent record. In the event of the abandonment of a post, the exchange council book, together will all other records not destroyed as above provided, will be forwarded to the Adjutant of the Army. The following books will be kept in all post exchanges.

1. CASHBOOK. In this book will be entered in separate columns, appropriately headed according to the classification into which it is desired to divide the receipts and expenditures, each day's transaction.

2. THE JOURNAL. This book is used to prepare transactions for posting to the ledger. It will show by debit and credit entries such original entries affecting the business of the exchange as are not posted from the cash book or other books of original entry.

3. THE LEDGER. In this record will be entered under separate accounts all debit and credit transactions affecting the business of the exchange, so as to show the amounts due to or from the exchange on each account. Accounts will be kept under the following heads:

(a) Post Exchange. To show the value of the exchange.

(b) Merchandise. To show on the debtor side the cost of merchandise purchased and on the credit side the amount received for merchandise sold. In opening this account it should be charged with the value of the inventory then on hand. When the account is to be closed it will be credited with the value of the inventory then on hand, and the difference between the two sides will be the profit or loss.*

(c) Bills Receivable (Enlisted Men). To show the value of checks issued to enlisted men, and the amount of each received from them in payment of their due bills. When checks are issued the entry will be "Bills Receivable, Dr. to Checks"; and when the due bills are paid by the enlisted men the entry will be, "Cash, Dr. to Bills Receivable." The difference between the two sides of the account will show the amount of due bills on hand unpaid.

(d) Bills Receivable (Notes). To show the amount of notes given by organizations in part payment of purchase money or for other purposes; also the amount of payments thereon and credits from dividends.

(e) Check Account. To show the amount of checks outstanding. When the checks are issued this account will be credited as above, thus, "Bills Receivable, Dr. to Checks." The amount of checks received each day for merchandise will be charged to the account, thus, "Checks, Dr. to Merchandise." The difference between the two sides will show the amount of checks outstanding.

(f) Personal Accounts. An account with each person, firm, or organization having any credit transactions with the exchange, to show the amount due to or from each by the exchange. When the business of the exchange will warrant, instead of keeping the accounts of officers and others whose purchase on monthly credit in the general ledger, such accounts may be kept in a "Petty Ledger" and posted monthly to the general ledger under the title "Petty Ledger Accounts."

(g) Expense Account. To show the cost of all expenses attendant upon the business of the exchange.

*The profit or loss so obtained will be the gross profit or loss.—The Author.

(h) Building and Fixtures. To show all amounts expended for the betterment of the exchange property, and the depreciation of value of all fixtures.

Supporting this account should be kept a list of all fixtures showing date of purchase, quantity, original cost, and depreciation as determined from time to time. The total money value of the fixtures as shown in the list must always agree with the ledger account of the same.

(i) Profit and Loss Account. Into it are closed all accounts showing a profit and loss. It is debited for losses and credited for profits or gains. The difference between the two sides will show the net profit or loss and will be transferred to the post exchange account.

(j) Dividend Account. To show amount of dividends declared by the exchange council. When a dividend is declared the post exchange account is debited with the amount of the dividend declared and the dividend account credited. When the dividend is paid the dividend account is debited and cash credited.

4. AN INVENTORY BOOK. In this book will be entered a copy of all inventories taken by the exchange council, and of the inventory taken when the exchange officer is relieved. Each inventory will show the number of each article held for sale and its cost or appraised value; also of all exchange property available as an asset, such as buildings, fixtures, etc.

5. Stock Record. This record will show all merchandise on hand at the beginning of each month received, sold, and expended during the month and the balance on hand at its close.

Such other books and records as are deemed necessary to show stock on hand and value of exchange will be kept in post exchanges by the exchange officer or under his personal supervision. *(Par. 14.)*

39. SALES ON CREDIT. When the commanding officer and council are agreed that it is to the true interest of the command, the former may authorize a credit at the exchange to any soldier in good standing to an amount not exceeding in any one month one-third of his monthly pay. This will be

given upon the request of the soldier, in writing, approved by his company commander, and these credit checks will be carried on the accounts of the exchanges as "bills receivable" until paid. Soldiers granted credit will be distinctly informed that they must make prompt and unsolicited payment to the exchange officer on the next pay day. Defaulters will be debarred the privileges of the exchange and are liable to trial and punishment. It is the duty of the soldier who has been given credit to pay the amount as soon as he receives his pay, and the exchange officer will be present at the place of payment to receive the money or make such arrangements as will facilitate the payment. Credit will not ordinarily be extended to a soldier between date of last payment on rolls before discharge and the date of discharge. When the debt has remained unpaid one pay day on which the soldier was paid a balance sufficient to discharge such debt and no other means of collection is practicable, the exchange officer will notify the company or detachment commander, who will note the amount on the next pay rolls as "Due Post Exchange ——— ———," and on succeeding rolls until the debt has been collected or until it is apparent that it cannot be collected, when the credit check will be turned over to the company or detachment in lieu of so much cash at the next distribution of profits as provided in paragraph 40 (17).

Department and division commanders are authorized to permit company commanders to extend credit, to an amount not exceeding one-half of his monthly pay, to any soldier in good standing, at a company exchange which has been authorized by the department or division commander or higher authority.

In the case of sales to officers and others on monthly credit account remaining unpaid on the 15th of the month following that for which account is rendered will be reported by the exchange officer to the commanding officer with a view to having the account settled. *(Par. 15.)*

40. OPERATING EXPENSES. To secure uniformity in rendering accounts and accuracy in preparing comparative

statements, the following are specified as the items that properly enter into the account of operating expenses:

(a) Compensation of attendants.

(b) Unavoidable breakage, wastage, destruction, and damage.*

(c) Insurance on merchandise, furniture, fixtures, and building, if the property of the exchange.

(d) The cost of books, blanks, and other stationery; necessary policing about the quarters, when not performed by the regular attendants; express and freight charges on articles that are neither merchandise nor permanent fixtures.

Transportation should not be charged to operating expenses, but added to the cost of the merchandise or fixtures to which it pertains. Repairs to quarters and repairs to and renewal of fixtures should be charged to buildings and fixtures,† and not to operating expenses. *(Par. 16.)*

41. DISTRIBUTION OF PROFITS. When an exchange is absolutely free from debt a sum sufficient to cover all anticipated debts for at least one month, will, at the end of each quarter, or oftener if deemed advisable by the council and commanding officer, be taken from the cash on hand and set aside as a reserve fund, and the remainder, which will represent the net profits of the exchange for the period specified, will be disposed of in the following manner:

(a) Five per centum will be set aside as a fund which will be divided among the members of the exchange proportionately to the strength of the enlisted membership. This amount may be increased by the council with the approval of the commanding officer, but will in no case exceed 10 per centum. It will be distributed as follows:

* These items, in modern business practice, are seldom charged to Expense, for if they are the Merchandise Account must be credited with them, which misrepresents the gross profit. These items, however, must be entered on the stock records.—The Author.

†The costs of repairs, alterations, and upkeep of buildings and fixtures; such as, broken doors and windows and fixtures, the painting of buildings, etc., etc., do not represent an increased valuation, but only repair and prevent depreciations in value. To charge such costs to buildings and fixtures causes them to be represented as fixed assets; they should be charged to a buildings and fixtures expense account which is undoubtedly intended in the above paragraph. Additions to buildings and additional fixtures are charged to buildings and fixtures and carried as fixed assets. —The Author.

(1) Where the members belong to regiments, the share of such members will be paid into their regimental fund wherever the headquarters of the regiment may be stationed.

(2) Where the members belong to Corps of Engineers, it will be paid to the engineer band.

(3) When the members are units of the Coast Artillery Corps stationed at a fort at which a Coast Artillery Corps band is serving, the share will be paid to the band. When the members are units of the Coast Artillery Corps stationed at a fort in a coast defense command other than the fort at which a Coast Artillery Corps band is serving, an equitable per cent, to be determined by the coast defense commander and based upon the services of the band at that fort, will be paid to the band. When the members are units of the Coast Artillery Corps stationed in a defense command in which no Coast Artillery Corps band is stationed, the shares will be paid to such members.

(4) Where the members belong to organization having no band, it will be paid to the band serving at the post, if there be one; otherwise to such members.

(5) When troops holding membership in the exchange are temporarily absent the 5 per centum, or the amount set aside, will be divided among the members of the exchange proportionately to their dividends and distributed as provided for above.

(b) Such sum as the council shall recommend and the commanding officer shall approve, will be set aside for the benefit of the entire garrison, to be disbursed by the post exchange officer on written recommendation of the chaplain, approved by the post or regimental commander for the recreation and amusement of the enlisted men of the command. Any property purchased with funds so derived shall pertain to such exchange as part of its fixtures. At posts other than chaplain posts this fund for the recreation and amusement of the enlisted men will be disbursed by the exchange officer on the requisition of any officer detailed in charge of such recreation and amusement and approved by the commanding officer.

(c) Such sum as the council, with the approval of the commanding officer, may determine will be appropriated for the benefit of the entire garrison to all or any of the following purposes: Laying out and preparing and cultivating gardens and supplying seeds, roots, or plants for the same; the purchase of books, newspapers, periodicals, stationery, etc., for the post exchange or post library; the purchase of gymnastic appliances when there is no gymnasium connected with the exchange; prizes for athletic sports. The expenditure of profits for purchases other than these requires the approval of the department commander.

(d) "The remaining money may be divided among the organizations contributing to the exchange on such equitable basis as shall be determined by the council with the approval of the commanding officer. Normally the distribution should be made to organizations according to the number of rations drawn by them for the period covered by the distribution. Where differences in this respect arise between the council and commanding officer the decision of the department commanding officer will be final. The money thus distributed will be paid into the company or detachment funds. In addition to the dividends for the hospital detachment, the exchange council, with the approval of the commanding officer, shall determine the amount, if any, to be turned over to the surgeon for the sick in the hospital.

Any variation from these rules requires the sanction of the Secretary of War.

A division of the cash resources after all debts have been paid will also be made whenever the troops, or any part of them, being members of the exchange, change station; in this event no deduction on account of the reserve fund will be made from the share of the withdrawing troops.

"The amount of any loss that an exchange may sustain in consequence of a failure of a soldier to pay for articles properly bought on credit, whether by his discharge without sufficient money due on his final statements to pay the debt, or by his desertion, will be deducted from the share of the profits of the

company or organization to which the defaulter belongs. Losses by fire or other casualty, death of the debtor, depreciation of value of the fixtures, and deterioration of articles kept for sale, and the accidental breakage of fixtures or other property will be borne by all the participating organizations in common, and should be deducted from the gross receipts before dividing profits. Credit accounts should be treated as bills receivable until they are settled or found to be a loss, but bills receivable should not be included in the gross amount from which profits are resolved. The amount of cash on hand on the dates specified, after all mature debts are paid and after setting aside as a reserve fund a sum sufficient to meet anticipated debts for a period not less than one month, constitutes the sum subject to distribution. *(Par. 17.)*

42. FINAL DISPOSITION OF BUSINESS. When notice is received that an entire garrison of a post is to be withdrawn and the post discontinued, the exchange will be reduced to the lowest extent possible and, so far as may be, converted into cash. Prior to the departure of the troops the property of the exchange will be sold and the proceeds, together with the cash, distributed by the council among the organizations according to the number of shares held by each. The exchange officer will make a final report of the matter through military channels to the adjutant general of the department. *(Par. 18.)*

43. REORGANIZATION. Whenever the exchange council, by a majority vote, holds that a reorganization of the exchange is necessary, and that the interests of the exchange can best be subserved by this course, the proceedings of the council in such a case, when approved by the post commander, will be forwarded to the department commander, whose decision thereon will be final.

If the proceedings are approved by the department commander, all members will withdraw from the exchange at the earliest possible date after the receipt of the approved proceedings at the post, and the reorganization will be made effective without unnecessary delay. *(Par. 19.)*

Suggestions as to Management

The following suggestions, based upon the systems which have been found most satisfactory by experienced exchange officers, are published for the information of all concerned.

44. SCHEME FOR KEEPING ACCOUNT OF STOCK. All stores not in salesroom should be kept in storeroom under lock and key. A competent employee should be detailed as storekeeper. He should receive all stores of whatever nature that come into the exchange and issue the stores to the several departments, on requisitions in writing approved by the exchange officer or the steward. (Form A.)

If stores in one department are needed in another, they should be turned in to the storekeeper on approved "Turn in" card (Form B) and issued on approved requisition. Damaged or spoiled stores should be entered on a "Damage Report" (Form C), which, after approval by the exchange officer or steward, should be turned over with the stores to the storekeeper.

The storekeeper should be provided with a stock record in which to charge the storeroom with the cost of all stores received and credit it with the cost of all stores issued, charging each department with the cost of stores issued thereto, crediting each department with the cost of all articles sold and the cost of all stores turned in on account of damage or otherwise. (See Form D.)

Vouchers for the debit entries of the storeroom account will be the invoices of stores received and approved "Turn in" orders, and for the credit entries approved requisition. Approved receipted requisitions will be the vouchers for the debit entries against each department; and sales (cost value of articles), "Turn in" orders, and damage reports, vouchers for the credit entries.

The balance on hand in the storeroom and in each department, as shown by the stock book, should be equal to the total cost of the articles on hand in each as determined by inventory.

This system does not depend on the names of individual articles, except as to inventory, but deals only with the total cost values, thus eliminating much detail, but at the same time

showing whether or not the stock is being properly accounted for.

There are three checks:

(a) For all articles reported sold the equivalent in cash, checks, or credit must be turned in by the salesman.

(b) Should a salesman report less than he actually sells, he will be short at the end of the month, or at such time as he may be checked up. All shortages should be made good by the salesman.

(c) The storeroom and each department may be checked at any time by taking an inventory, determining the total cost of the articles found on hand, and comparing the same with the balances shown by the stock record.

The stock record should be ruled so as to show:

1. The total cost of articles on hand in the storeroom at the last inventory.
2. The total cost of articles received into the storeroom since the last inventory, as shown by invoices, transfers from departments, etc.
3. The total cost of articles on hand in each department at the last inventory.
4. The total cost of articles issued to each department on approved requisitions.
5. Cost of articles sold from each department.
6. Cost of articles turned in from each department.
7. Cost of stores condemned.

Another method whereby verification can be made is to calculate the value at selling prices of all articles on hand at the beginning of the month in each department and to charge it with the total; then charge each department with the selling price of all goods issued to it; the total of the two is the amount for which the department is accountable. Crediting the department with the amount of sales and with the value of goods turned in, damaged or spoiled and condemned, at the selling prices, gives the amount accounted for. The difference between the two should be the total value of merchandise on hand at selling prices.

45. BILL REGISTER. The exchange officer should personally enter in a blank book labeled "Bill Register" a memo-

randum of every invoice immediately upon receipt of the same, noting on the invoice "B. R.——" to show page of entry. Receipt of merchandise should be noted both on the invoice and opposite the proper entry in the bill register, and when the bill has been paid, notation to that effect should be made both on the invoice and opposite the proper entry in the bill register.

46. INVOICE FILE. An invoice file book or file case should also be kept. After entry in the bill register, an invoice should be put on a temporary file to be kept until the goods shall have been received. The shipment should then be checked with the invoice, which should then be placed on another temporary file. There will thus be a file of invoices of goods not received and a file of invoices of goods received. From time to time the invoices on the latter mentioned file should be entered in the proper books and the place of entry noted on each invoice, after which the invoice should be placed in the permanent file.

47. SCHEME FOR SIMPLIFYING ACCOUNTS WITH FIRMS WHEN THE EXCHANGE IS ON A CASH BASIS. Enter each invoice in a purchase record, as shown in Form E. (A unit-ruled blank may be obtained for this purpose or an ordinary blank may be ruled as indicated.) When the bill is paid, enter the information as shown.

This system is suitable only when the exchange is on a cash basis. It has the advantage of showing all invoices on the same account. If the invoices are numbered serially and bound, in serial order, at the end of the month, auditing is facilitated. When this system is used, the bill register is unnecessary.

48. SCHEME FOR SIMPLIFYING ACCOUNTS THAT ARE PRACTICALLY CASH ACCOUNTS. As accounts for merchandise purchased by officers and organizations are required to be settled at the end of the month, and are practically cash accounts, the following scheme will reduce clerical work and facilitate auditing:

All charge slips are entered, as received, under the name of the purchaser, in a duplicating bill file, consisting of a binder, containing sheets with the exchange billhead and blank sheets alternately. The name of the purchaser is first written in the billhead and then the charges are entered from the charge slips

received from day to day, the whole being duplicated on the blank sheet by carbon process. The duplicate should be retained and the original sent out as a bill.

49. RESTAURANT ACCOUNT. A separate account should be opened with the restaurant (or lunch counter), as this is a manufacturing department and requires careful supervision to enable it to yield suitable profits. This account should show the quantity and cost of all articles received for the restaurant, cost of labor, and the quantity and total cost of all articles as made up for sale.

50. ACCOUNT OF SALES. Each salesman should be required to keep a record of each sale made by him. This may be kept conveniently on a duplicate sales pad. If the system of keeping account of the stock described herein should be adopted, the salesman should note on the retained slip the cost of each article sold and should enter the total cost of the sale shown by each slip on a tally card in the back of the sales pad. Credit sales must be shown by writing the name of the purchaser at the top of the slip. Cash and check sales will be shown by the absence of the name of the purchaser. Cash slips may be marked + and check slips #, in order to distinguish them. At the close of the day's business the steward should receive from each salesman the tally card showing the total cost of the articles sold, together with the sales slips and a report on a form similar to the following:

SALES REPORT

Fort.....

....., 191.....

Cash .....

Checks .....

Credit .....

Total .....

.....

In Charge.

(This should accompany the steward's report.)

The steward should total the slips under each head, compare them with the report, and check the total of all sales as shown. He should also total the cost prices of the articles sold by each salesman as shown by the tally card, and should see that the storekeeper enters the same in the stock record to the credit of the proper department. The steward should also see that the charge slips are entered on the proper accounts of the duplicate bill file, and should then make out his daily report to the exchange officer on a form similar to the following:

STEWARD'S DAILY REPORT

Post Exchange,

Fort.....

RECEIPTS

	Credits	Checks	Cash	Total
Restaurant				
Store				
Recreation Room				
Etc.				
Total				

Checks Issued $.....

Received $.....

....., *Steward.*

....., *Exchange Officer.*

....., 191....

51. CHECKS OR COUPONS. When metal checks or paper coupon checks are used they should be carefully accounted for both by the exchange officer and the steward. The former should keep an accurate account of the value of both of those turned over by him to the steward for issue and of those issued by the steward as shown by his daily report. The total value of the latter-mentioned checks or coupons should be re-

garded as a liability until redeemed. The steward should charge himself in his account with the value of all checks or coupons turned over to him by the exchange officer and credit himself with the value of those issued by him. All checks or coupons received for sales should be turned into the exchange officer with the steward's daily report and their total value entered by the exchange officer on his account. All paper coupons so turned in should be destroyed by the exchange officer in person, preferably by burning. The steward's account need not show the value of the checks or coupons outstanding, as this may at once be determined by balancing the check or coupon account of the exchange officer.

The use of metal checks is undesirable for obvious reasons. The paper coupon-book system is the safest and most generally satisfactory. Although the first cost is greater than in the metal-check or punch-card systems, the coupon-book system is usually more economical in the end.

52. SALES ON CREDIT. When duly authorized as provided by the Post Exchange Regulations, credit within prescribed limits may be given upon the request of the soldier in writing, approved by his company commander. For the convenience of the men themselves, as well as for the convenience of the company commander and the exchange officer, the following system of regulating this credit is recommended:

At the beginning of each month a list of each organization, in the order in which the names appear on the pay rolls, should be prepared and the amount of credit, approved by the company commander in each case, should be entered opposite the name of the man. A convenient opportunity to sign should be given to all men who desire credit. The list should then be corrected by drawing a line through the name of any man who has not signed. After approval by the company commander it should be sent to the exchange officer, who is thus informed of the amount of credit authorized in each case. The following form may be conveniently used:

Company "....," ..... Infantry.

We request credit at the Post Exchange during the month of ....., 191....., to an amount not exceeding that set opposite our respective names.

Names (In the order in which they appear on pay roll)	Credit approved	Credit given	Signatures

Approved:

.....,

Captain.....Infantry,

Commanding Company.....

Fort....., ...

....., 191.....

The foregoing specimen form, duly completed, should be the authority upon which the exchange officer should extend credit. This form should usually be in the hands of the steward, to whom the men should apply for checks or coupon books. In large garrisons men unknown to the steward should be identified. Upon applying to the steward each man should inform him of the number of checks or value of coupon book desired. This may be for the entire amount of authorized credit or for any less amount. The steward should then make out a note, on a form similar to the following, which should be signed and witnessed as indicated, after which the steward should issue to the man checks or a coupon book equal in value to the amount signed for and note the amount opposite the name of the man on the company list. By this means a man may obtain credit for any amount less than that authorized and subsequently may obtain the remainder, or any part of it, in a similar manner, in each case signing a note like the following:

....., 191....	Fort ....., ..., 191....
Name	I, ..., promise to
Rank, Etc.	pay to the Post Exchange, after my
Amount $.....	next payment, ... Dollars,
	for value received.
	$.....
	Signature .....
	Rank, Etc. .....
	Witness .....
	..... *Steward.*

The stubs are the steward's vouchers for checks issued after he turns in the notes with his daily report. The exchange officer should compare the total amount of the notes with the item "Checks Issued" on the steward's daily report.

For convenience, the list of names and amount of authorized credit should be as complete as practicable when sent to the exchange. A company commander may send such supplementary lists as he may desire, and at any time during the month may request a modification of the lists pertaining to his company.

One great advantage of this system is that men may get any part of the authorized credit, at any time within exchange hours during the month, by applying directly to the exchange officer or steward.

53. COLLECTION OF NOTES. Before payment of the command, the exchange officer should arrange the notes of each organization in the order in which names appear on the pay roll. When more than one note has been given by the same man they should be pinned together and the total marked with colored pencil on the top note. These notes, in connection with the list or lists showing the credit given to the men of each organization, give all information needed for the collection. A noncommissioned officer of each organization should be detailed to report to the exchange officer at the pay table to identify the men.

An alternate method of regulating credit sales is as follows: Notes of the following form are kept on hand by the organization commander:

....., 191....	Fort ....., ..., 191.....
Name	I, ..., promise to
Rank, Etc.	pay to the Post Exchange, after my
Amount $.....	next payment, ... Dollars,
	$.....
	Signature .....
	Rank, Etc. .....
	.....
	1st Sergeant Troop .....
	.....
	.....
	Commanding Troop .....

Upon the presentation of such a note at the post exchange, filled in and duly signed, checks or a coupon book for an equal amount should be issued to the man.

Stubs should remain in the possession of the organization commander, who thus knows the state of the man's credit at all times without reference of the matter to the post exchange.

Under this system it is necessary for the organization commander to submit to the post exchange officer on the day before pay day a list of the names of the men of his organization who have obtained credit and the amount thereof, the names of the men appearing in the same order in which they appear on the pay roll.

54. CASH REGISTER. When practicable, one or more cash registers, purchased from the exchange funds, should be used in the exchange.

The turn-back keys of cash registers should be kept in the hands of exchange officer to enable him to make verification of reports made from the registers.

FORM A

REQUISITION

Dept. ..... Date .....

Clerk ..... O. K. .....

Amt.	Artic	Cost	Total
	Total		

Received the above articles.

....., *Storekeeper.*

Check carefully, as you are responsible for this property.

FORM B

TURN IN

Dept. ..... Date .....

Clerk ..... O. K. .....

Amt.	Article	Cost	Total
	Total		

....., *Storekeeper.*

Make in duplicate and keep one.

NOTE. This form should be printed in red ink.

FORM C

DAMAGE REPORT

Dept. ..... Date .....

Clerk ..... O. K. .....

Amt.	Article	Cost	Total
	Total		

....., *Storekeeper.*

Make in duplicate and keep one.

NOTE. This form should be printed in red ink.

FORM D
STOCK RECORD

191....			Storeroom										Grocery										Notions										Etc.
			Dr.					Cr.					Dr.				Cr.						Dr.				Cr.							
Jan.	1	Inventories	2	5	0	0	00						6	5	0	00							5	0	0	00							
	1	Requisition								6	0	00		6	0	00																	
	1	Sales																4	0	00								2	5	00			
	2	A. B. & Co. (1)		1	0	0	00																										
	2	Damage																													1	00	
	2	Turn In				5	00												5	00													
	2	C. D. & Co. (2)			5	0	00																										
		Etc.																															
		Totals	2	6	5	5	00			6	0	00	7	1	0	00		4	5	00			5	0	0	00		2	6	00			
		Balances ..						2	5	9	5	00					6	6	5	00							4	7	4	00			
								2	6	5	5	00					7	1	0	00							5	0	0	00			

FORM E

PURCHASE RECORD, MONTH OF JANUARY, 191....

191....			1 Total		2 Mdse.		3 Expense		4 Fixtures		5 Errors		Discount 10	20	30	Date Paid		Amount Paid		Dis.		Rem.
Jan.	2	A. B. & Co.	150	00	100	00			50	00			2			Jan.	10	147	00	3	00	
	2	C. D. & Co.	75	00	50	00	5	00	20	00	1	25	6			Jan.	12	69	25	4	50	

SUGGESTING AS TO AUDITING

The following are some suggestions for auditing which are published for the information of all concerned:

Count cash on hand. If checks are in the cash, they should be current ones and should be immediately deposited.

Verify bank balance. Obtain a list of outstanding checks and secure direct from depository confirmation of the bank balance.

Verify all additions in the cash book. Call for the steward's daily report and see that all cash items are shown on the cash book and that other items are properly accounted for.

Compare paid checks with the stubs and the latter with the vouchers and disbursements shown by the cash book. For all disbursements there should be a proper voucher. In case of a bill or invoice being paid that represents a purchase, it should show on its face proper notations to indicate when the goods or materials were received; that they were properly checked as to quantities, quality, and prices; that they have been taken up on the books, and that the voucher is correct and just.

Verify trial balance with ledger.

Posting to individual accounts in ledger should be checked against the cash book to see that all receipts on account of credit accounts and sales have been taken up.

Count bills receivable (enlisted men) on hand and compare with amount shown on ledger that should be on hand. Verify whether all issues and payments to the account have been posted.

Verify check account to see the amount outstanding. Any balance should always appear as a liability.

Examine stock record. The amount of merchandise on hand at beginning of month at selling prices, plus amount purchased at selling prices, gives the amount of accountability. If from the accountability is subtracted the amount of actual sales and goods turned in, damaged or spoiled and condemned, at selling prices, the difference should be the value of goods on hand at selling prices.

Check the closing entries to profit and loss account. See whether the net profit or loss is shown on the exchange account in ledger.

Check all postings to ledger.

Examine expense account and see that all expenditures were proper.

Obtain a list of accounts due the exchange and a list of outstanding liabilities. Verify accurateness of same by direct confirmation with individuals and firms concerned, as far as practicable. Check totals with statement of assets and liabilities. The next auditing officer should ascertain whether any of these accounts have been settled since last audit and properly entered on the books of the exchange. Make special notation of delinquent accounts due the exchange.

Verify all items on statement of assets and liabilities with ledger accounts, inventories, and other records, and be certain that the several items shown on the statement are correct and just.

AMENDMENTS

CHAPTER II

BOOKKEEPING FOR POST EXCHANGES

56. Post Exchange Regulations, Par. 14 (See Par. 38 above) prescribes that a double entry system of bookkeeping will be used. G. O. No. 176, W. D. 1909, which formerly governed the operations of exchanges and prescribed the keeping of certain accounts therein enumerated, did in fact make double entry bookkeeping necessary: for single entry bookkeeping is possible when personal accounts only are kept. Those, therefore, who labored under the delusion that they were formerly keeping their accounts in single entry, were in reality keeping them in a complicated and unsystematic double entry method. This provision should cause the bookkeeping of Post Exchanges to be done in a much more simple and systematic method in the future.

57. ACCOUNTS. The transactions common to a business are classified into accounts, each account comprising either (1) those transactions that are alike, or (2) those transactions pertaining to the same person or to the same thing. Each transaction, as will soon be seen, is always included in two or more accounts by this classification.

The accounts common to any business are as follows:

Capital Stock Account
Cash Account
Building and Fixtures Account
Merchandise Account
Personal Accounts
Expense Account
Profit and Loss Account.

The classification of accounts, however, may be extended to suit the size and nature of the business. Instead of the Building and Fixtures Account, there may be a Land and Buildings Account, a Store and Office Fixtures Account, a Plant and Machinery Account, a Delivery Equipment Account, etc.; the Merchandise Account may be divided into a Purchase Account,

a Sales Account, a Merchandise Inventory Account, and a Trading Account; the Personal Accounts, into Accounts Payable, Accounts Receivable, Bills Payable, Bills Receivable, and Accounts with Attorneys; the Expense Account, into a Selling or Manufacturing Expense Account and a General Expense Account, or, more detailed, into Insurance, Taxes, Rent, Fuel, Freight and Express, Collection and Exchange, Interest and Discount, Advertising, Salaries and Wages, Repairs and Maintenance, Depreciation, Lost Accounts and Notes, etc.

58. ENTRIES. The systematic records of business transactions made to accounts are called entries.

Entries are of two kinds, debit and credit. In double entry bookkeeping, each business transaction is represented by a debit and a credit entry. These two entries of a transaction are always made to different accounts: they can never be made to the same account. Often the debit or credit record of a transaction may be represented by two or more debit or credit entries, respectively. In such cases the different debit or credit entries are always made to different accounts.

The debit entry of a transaction is always equal to the credit entry of that transaction; or, in case of compound entries, the sum of the debit entries of a transaction is always equal to the sum of the credit entries of that transaction. For example, if an exchange pays an account of $100 and receives 2% cash discount, the debit entry will be, "Accounts Payable—$100.00," and the credit entries, "Cash—$98.00" and "Discount—$2.00." Expressed in the common Journal form the entries would read:

Accounts Payable, Dr.	$100.00	
To Cash		$98.00
To Discount		2.00

Since the debit entry of a transaction is always equal to the credit entry of that transaction, the sum of the debit entries of all transactions for a given period is always equal to the sum of the credit entries of all transactions for that period. The sum of the debit entries to any account, however, may or may not be equal to the sum of the credit entries to that account. The excess, if any, of the debit or credit side of an account is

called the "balance" of that account. If the debit side is the greater, the excess is called a debit balance; if the credit side is the greater, a credit balance. If, therefore, all entries have been made and made correctly, the sum of the debit balances will equal the sum of the credit balances.

59. THE LEDGER. All the accounts of a business, except the Cash Account, are usually kept in the Ledger which is the book of classified accounts. It is also called the account book of final and complete entry. When the business is large, special ledgers are provided for personal accounts, and are known at the Creditors' and Customers' Ledgers.

60. THE JOURNAL. It is at once apparent that if it were attempted to post the entries of each transaction to their respective accounts in the Ledger at the time the transaction takes place, much time would be lost in finding the accounts desired. Entries are therefore first made to a few account books of original entry and are later posted therefrom to their respective accounts in the different ledgers.

For this purpose entries may be divided into the following classes:

(1) Cash receipts
(2) Cash expenditures
(3) Credit purchases
(4) Credit Sales
(5) All other transactions.

All entries of class (5) are first made to the Journal. Each entry to the Journal should include: (1) the date, (2) the account or accounts to be debited and the amount or amounts, (3) the account or accounts to be credited and the amount or amounts, and (4) an explanation of the transaction.

JOURNAL

L.F.	Account to be debited. Account to be credited.	Explanation.	Dr.	Cr.
	Sep. 15, 1915.			
57 88	Bills Receivable, Dr. To Frank Jones	Accepts our T/D for 30 days dated 9/13/15.	75 00	75 00

The words "Dr." and "To" are generally omitted.

The Journal was formerly used as an account book of intermediate entry, all entries in the Day Book and other account books of original entry being first abstracted in the Journal before being posted to their respective accounts in the Ledger. Business men however, have long since eliminated this unnecessary work and red tape.

61. CASH BOOK. To the Cash Book, or Account, (1) all cash receipts are debited and (2) all cash expenditures are credited. Each entry of a cash receipt should include: (1) the date, (2) the account to be credited, (3) an explanation of the transaction, and (4) the amount.

CASH RECEIPTS

Date.		Account to be credited.	Explanation.	Cash Sales.	Other Cash Receipts.
Sep.	7	John Miller	Acct. in full, 9/1/15		60 00

Each entry of cash expenditures should include: (1) the date, (2) the account to be debited, (3) an explanation of the transaction, and (4) the amount.

CASH EXPENDITURES

Date.		Account to be debited.	Explanation.	Cash Purchases	Other Cash Expenditures
Sep.	20	Freight & Express	S.P.Ry., Frt. on Mdse.		7 10

The Cash Book performs the functions of two account books: (1) that of a Journal for all cash transactions, and (2) that of a Ledger for the Cash Account.

62. THE PURCHASE BOOK. To the Purchase Book are posted directly all credit purchases made by the business. Each entry to this book should include: (1) the date, (2) the account to be credited, (3) the date and terms of the invoice, and (4) the amount.

The Purchase Book performs two functions: (1) that of a Journal for all credit purchases, and (2) that of an auxiliary account book* to the Ledger for the Purchase Account.

*In the Model Set of Accounts, Chapter III, the Purchase and Sales Books perform the functions of the Ledger for the Purchase and Sales Accounts, respectively.

63. THE SALES BOOK. To the Sales Book are posted directly all credit sales made by the business. Each entry to the Sales Book should include: (1) the date, (2) the account to be debited, (3) address and terms, if special, and (4) the amount.

The Sales Book performs two functions: (1) that of a Journal for all credit sales, and (2) that of an auxiliary account book* to the Ledger for the Sales Account.

64. THE COUPON ISSUE BOOK. In post exchanges where credit is extended to enlisted men through the issue of checks or coupons, the use of a special account book of original entry, called the Coupon Issue Book, will eliminate the entering of such issues in the Journal, and at the same time furnish an account record of them. This account book should have a money column for each organization that is a member of the exchange, and an extra column for totals.

The Coupon Issue Book performs two functions: (1) that of a Journal for coupon issues, and (2) that of an auxiliary account book to the Ledger for the Coupon Account.

65. DEPARTMENT ACCOUNTS. In case it is desired to keep records of purchases and sales by departments, separate columns for each department can be provided for in the Cash, Purchase, and Sales Books.

I.

The following accounts are prescribed by the Post Exchange Regulations:

66. THE CASH ACCOUNT. The Cash Account is kept in the Cash Book. Extra columns may be provided on the credit side of the Cash Book for discounts received, and for operating expenses.

Debit *Cash Book* with all cash receipts.

Credit *Cash Book* with all cash expenditures.

67. THE POST EXCHANGE ACCOUNT. This account is carried in the Ledger and its balance represents the value of the exchange.

Credit *Post Exchange Account* with working capital, reserve fund, buildings, furniture, and fixtures.

*In the Model Set of Accounts, Chapter III, the Purchase and Sales Books perform the functions of the Ledger for the Purchase and Sales Accounts, respectively.

Debit *Post Exchange Account* with all sales of and all depreciations in building, furniture, and fixtures, and reductions in working capital.

68. MERCHANDISE ACCOUNT. This account is carried in the Ledger as a controlling account, the total of purchases and sales for the month being carried forward from the Purchase Book and Sales Book, respectively.

Debit *Merchandise Account* with all merchandise on hand at the beginning of the month or quarter (per inventory at cost price); with all merchandise purchases (at cost price); and with all merchandise returned to us (at selling price).

Credit *Merchandise Account* with all merchandise sales (at selling price); with all merchandise returned by us (at cost price); and with all merchandise on hand at the end of the month or quarter (per inventory at cost price).

The excess of the credit side represents the *Gross Profit.*

The "Merchandise on Hand" at the beginning of the month, and the "Total Purchases" are debited to the Trial Balance, while the "Total Sales" is credited to the Trial Balance.

69. BILLS RECEIVABLE (ENLISTED MEN). A Bills Receivable Account is carried for each organization that is a member of the Exchange, to which is debited on the last day of the month the total value of all notes given by the enlisted men of that organization for coupons or checks. Separate entry for each individual note is not made to this account.

Debit *Bills Receivable (Enlisted men)* with the total value of notes given by the enlisted men of an organization for coupons.

Credit *Bills Receivable (Enlisted men)* with the total collection from that organization on pay day; with amounts deducted from dividends of that organization to cover individual notes not paid by the men; with amounts received from quartermasters for notes collected on pay rolls; and with amounts lost on notes through death of soldiers, etc., also with notes paid by enlisted men at times other than pay days.

70. BILLS RECEIVABLE (NOTES). This account is carried in the Ledger to show notes given by members of the exchange in payment or part payment of capital stock, etc.

Debit *Bills Receivable (Notes)* with all notes given to the exchange by members for capital stock, etc.

Credit *Bill Receivable (Notes)* with all cash, dividend credits, etc., given by members in payment of their notes.

71. CHECK ACCOUNT. The Check Account, or Coupon Account, shows the total coupon issue, coupon sales, and coupons outstanding.

Credit *Check Account* at the end of the month with the total value of checks, or coupons, issued during the month, as shown by the Coupon Issue Book.

Debit *Check Account* at the end of the month with the total value of coupon sales, as shown by the Sales Book.

The balance represents the value of *Coupons Outstanding* at the end of the month.

72. ACCOUNTS RECEIVABLE. An Account Receivable is opened for each person who carries a credit business with the exchange. See 38, 3, f.

Debit *Accounts Receivable* at the end of the month with the total values of all credit sales to customers.

Credit *Accounts Receivable* with all payments on their accounts by customers.

73. ACCOUNTS PAYABLE. An Account Payable is opened in the Ledger for each firm from whom merchandise is bought.

Credit *Accounts Payable* with all purchases made from creditors.

Debit *Accounts Payable* with all payments made to creditors.

74. EXPENSE ACCOUNT. This account is carried in the Ledger.

Debit *Expense Account* with any of the following:

(a) Compensation of attendants.

(b) Unavoidable breakage, wastage, destruction, damage.*

(c) Insurance on merchandise, furniture, fixtures, and building, if the property of the exchange.

(d) The cost of books, blanks, and other stationery; necessary policing about quarters, when not performed by the regular attendants; express and freight charges that are neither merchandise nor permanent fixtures.

75. BUILDING AND FIXTURES EXPENSE ACCOUNT. This account is carried in the Ledger.

Debit *Building and Fixtures Expense Account with all* expenditures for the betterment, repair, and renewal of building and fixtures; and with all depreciations in value of buildings and fixtures.

Whenever this account is debited with a depreciation on fixtures, the net profits will be decreased by the amount of the depreciation, and the value of such fixtures as shown in the Post Exchange account must therefore be decreased by the same amount. In other words, when moneys are taken from net profits to cover actual decrease in value of buildings and fixtures, the value of the Post Exchange should remain the same.

76. PROFIT AND LOSS. The gross profit, as determined in Merchandise Account, Par. 66, minus all expenses gives the net profit for the period which the trial balance covers; or arranged in two columns the Profit and Loss is shown as follows:

Expense Account	Gross Profit
Building and Fixtures Expense Account	
Net Profit	

77. DIVIDEND ACCOUNT. This account shows all net profits declared as dividends and the distribution of the same to the several members of the exchange.

*See footnote to par. 40 (b).

Credit *Dividend Account* with all net profits declared as dividends.

Debit *Dividend Account* with all dividends paid to the members of the exchange.

II.

78. In order better to meet the requirements of efficient accounting the following classification of accounts for post exchanges is presented. While the number of accounts is greater than that prescribed, this classification simplifies the bookkeeping, and shows the assets and liabilities of an exchange in a much more complete and intelligent manner.

Any account not needed in a particular exchange can of course be omitted, while in large exchanges the expense accounts may be further subdivided if desired. In most exchanges, however, the accounts described will be found both necessary and sufficient.

Under each account will be found not only specific instructions for the posting of entries to that account, but the other accounts to which the same entries must also be posted.

79. CAPITAL STOCK ACCOUNT. At the opening of a post exchange this account is opened in the Ledger to show the capitalization of the same. The membership and capitalization of post exchanges are prescribed in Post Exchange Regulations. See par. 33.

Credit *Capital Stock Account* for all shares of capital stock sold.

Debit *Cash Account* with all moneys received from the sale of capital stock.

Debit *Bills Receivable* with all notes, or other securities, which are received in lieu of money for capital stock.

Debit *Capital Stock Account* with all reductions in capital stock.

Credit *Cash Account* with all moneys paid out in buying back capital stock.

Credit *Bills Payable* with all notes, or other securities, given in payment for capital stock bought back.

80. CASH ACCOUNT. This account is carried in the Cash Book. It consists of all cash transactions of the business, and its balance represents the total amount of cash on hand and in bank. Separate accounts for cash in post exchange and cash in bank can be kept, but a single cash account covering both is recommended, depositing in bank each day all moneys received, and making cash expenditures by checks. The endorsed check makes an excellent receipted voucher for an expenditure, especially if a voucher check be used; and at any time the balance of the Cash Account minus the bank balance, as shown by the balance carried forward on the check stubs, equals the amount of cash on hand in the exchange.

Debit *Cash Account* with each cash receipt.

Credit *the other account* to which the cash receipt pertains.

Credit *Cash Account* with each cash expenditure.

Debit *the other account* for which the cash expenditure was made.

The total cash sales for each day, as shown by the steward's daily sales report, should be debited to the Cash Account in one entry, but all cash receipts and expenditures that pertain to other accounts should be entered separately.

The exchange officer should, if practicable, issue all checks for expenditures a sufficient number of days before the monthly, or quarterly, trial balance to allow the presentation and payment of the same at the bank on which drawn before the taking of the trial balance, and on the day of the trial balance secure a statement from the bank showing the balance of the exchange account on that date. Checks not yet presented to the bank for payment must be deducted from balance at bank as given in the statement rendered by the bank. The last check stub used should show the true bank balance. The check stubs and cash account entries are evidential of all checks outstanding.

81. BUILDING AND FIXTURES ACCOUNT. Building and fixtures, the latter including furniture, cash registers,

typewriters, adding machines, safes, office desks, filing cabinets, show cases, counters, etc., are fixed assets. Their original costs are debited to the Building and Fixtures Account which is carried in the Ledger.

Debit *Building and Fixtures Account* with the cost of all buildings and fixtures purchased.

Credit *Cash Account* with all moneys expended in purchase of buildings and fixtures.

Credit *Building and Fixtures Account* with all buildings and fixtures sold (at selling price); and with all depreciations declared on buildings and fixtures.

Debit *Cash Account* with all moneys received from sale of buildings and fixtures.

Debit *Building and Fixtures Expense Account* with all depreciations declared on buildings and fixtures.

Expenditures for the upkeep and repair of buildings and fixtures should not be charged to the Building and Fixtures Account, but to the Building and Fixtures Expense Account. No expenditure on buildings and fixtures should be charged to the Building and Fixtures Account unless it actually increased the market value of the same, such as the purchase of new fixtures, additions to buildings, etc. Expenditures for repairs, etc., which merely preserve and prevent deterioration, do not increase the market value. To debit Building and Fixtures Account with repairs, etc., makes fictitious assets out of pure expenses.

Where no funds are created to offset depreciations in value of buildings and fixtures, a part of the dividends each month will actually come out of the capital stock, but this will usually never be realized until the assets are all turned into cash at their present worth at the close of the exchange a few years hence when the shares of the capital stock will be found to be worth only a fraction of their par value. Appreciations are very seldom noted, even when there has been a general rise in the value of real estate and buildings. They should be shown, however, in case of land and buildings if the accounts are to represent

the true condition of the business. Such appreciations are commonly known as the "unearned increment."

Buildings depreciate from nil to 5% a year in value; and furniture and fixtures from 7½% to 10% a year in value. It is customary in all businesses to deduct a sufficient amount from the Net Profits to cover this depreciation in buildings and fixtures.

82. MERCHANDISE ON HAND ACCOUNT. This is an asset account to show the value of merchandise on hand at the close of the month or quarter. If merchandise were bought and sold at the same price, this account could be kept just the same as the Cash or any other asset account, i. e., debits would represent purchases of merchandise, credits would represent sales, and the balance, the value of merchandise on hand. But the selling price is generally greater, so instead of entering the debits and credits to this account to obtain its balance, an actual inventory is taken of the merchandise on hand to determine it.

This balance also represents the value on hand at the beginning of the ensuing month, and as such appears in the Trial Balance of that month as an asset.

83. PURCHASE ACCOUNT. This account is carried in the Purchase Book to show all purchases of merchandise.

Debit *Purchase Account* with all purchases of merchandise.
Credit *Accounts Payable* with all credit purchases.
Credit *Cash Account* with all cash purchases.

Credit *Purchase Account* with all merchandise returned by us.
Debit *Accounts Payable* with all merchandise returned by us.

84. SALES ACCOUNT. This account is carried in the Sales Book to show all credit, coupon, and cash sales.

Credit *Sales Account* with all sales of merchandise.
Debit *Accounts Receivable* with all credit sales.
Debit *Coupon Account* with all coupon sales.
Debit *Cash Account* with all cash sales.

Debit *Sales Account* with all merchandise returned to us.

Credit *Accounts Receivable* or other proper accounts with all merchandise returned to us.

Merchandise on hand, purchases, and sales were formerly entered to the Merchandise Account. This account is now obsolete in modern business practice. The gross profit is obtained from the Trading Account, which might be called a merchandise controlling account.

85. COUPON ACCOUNT. This is a liability account of the exchange carried in the Ledger to show the total amount of coupons, or checks, issued and the total amount of coupon sales for the month, the excess of the former representing the value of coupons, or checks, outstanding at the end of the month. It is designated as the Check Account in Post Exchange Regulations.—par. 38, 3, e.

Credit *Coupon Account* with the total value of coupons issued as shown by the Coupon Issue Book.

Debit *Bills Receivable (Enlisted men)* with the total value of coupons issued to each organization as shown by the Coupon Issue Book.

Debit *Coupon Account* with total amount of coupon sales as shown by the Sales Book.

Credit *Sales Account* with total amount of coupon sales as shown by the Sales Book.

86. ACCOUNTS RECEIVABLE. Under this caption is carried a personal account with each customer to whom credit is extended. See 38, 3, f.

Debit *Accounts Receivable* with the total value of all credit sales to each customer.

Credit *Sales Account* with the total value of all credit sales for the day as shown by the Steward's daily report.

Credit *Accounts Receivable* with all moneys paid by customers in payment of their credit accounts; and with all merchandise returned by them.

Debit *Cash Account* with all moneys received from customers to pay their credit accounts.

Debit *Sales Account* with all merchandise returned by customers.

87. ACCOUNTS PAYABLE. Under this caption is carried a personal account with each firm from whom goods are bought.

Credit *Accounts Payable* with the total value of each bill of merchandise purchased.

Debit *Purchase Account* with the total value of each bill of merchandise purchased.

Debit *Accounts Payable* with all moneys paid out in payment of merchandise bought on time; and with all merchandise returned by us.

Credit *Cash Account* with all moneys paid out in payment of merchandise bought on time.

Credit *Purchase Account* with all merchandise returned turned by us.

88. BILLS RECEIVABLE. In post exchanges, bills receivable are divided into two classes, (1) Enlisted Men, and (2) Notes.

Of Enlisted Men: Enlisted men give their notes for coupons, but a personal account is not opened in the account books of the exchange for each enlisted man. Instead, a personal account is opened with each organization to which is debited the total coupon issue for the month to the men of that organization.

Debit *Bills Receivable (Enlisted men)* with the total value of coupons issued to each organization as shown by the Coupon Issue Book.

Credit *Coupon Account* with the total value of coupons to all organizations as shown by the Coupon Issue Book.

Credit *Bills Receivable (Enlisted men)* with the total cash collection from each organization on pay day; with any deductions from dividends of organization for notes of enlisted men of that organization unpaid, with amounts received from quartermasters for notes

collected on pay roll; and with amounts lost on notes through death of soldiers, etc.

Debit *Cash Account* with the total amount of cash collected from enlisted men of each organization on pay day in payment of their coupon notes.

Debit *Dividend Account* with any deductions from the dividends paid any organization to cover coupon notes of men of that organization unpaid.

Of Notes: The notes referred to here are restricted to notes given by organizations who are members of a post exchange in payment, or in part payment, of their shares of the capital stock. The Post Exchange Regulations do not contemplate customers of post exchanges, to whom regular credit is extended, giving their notes.

Debit *Bills Receivable* with all notes given by organizations of a post exchange in payment, or part payment, of shares of capital stock.

Credit *Capital Stock Account* with all shares of capital stock sold to organizations, the payment for which is covered by notes.

Credit *Bills Receivable* with all moneys received from organizations in payment of their notes.

Debit *Cash Account* with all moneys received from organizations in payment of their notes.

89. BILLS PAYABLE. This account shows all notes given by the exchange to members in buying back capital stock. The Post Exchange Regulations do not contemplate post exchanges giving their notes to cover purchases of merchandise from firms.

Credit *Bills Payable* with all notes given by the exchange in buying back capital stock held by withdrawing organizations.

Debit *Capital Stock* Account with all shares of capital stock bought back from withdrawing organizations.

Debit *Bills Payable* with all amounts paid to organizations on our notes to them.

Credit *Cash Account* with all amounts paid to organizations on our notes to them.

90. DIVIDEND ACCOUNT. This account is carried in the Ledger to show all net profits declared as dividends, and the distribution of the dividends to the several members of the exchange. Dividends not paid are carried as a liability to the trial balance and balance sheet under the caption of "Dividends Unpaid." The distribution of dividends to members of post exchanges is explained in par. 41.

Credit *Dividend Account* with all Net Profits declared to dividends.

Debit *Profit and Loss* with all Net Profits declared to dividends.

Debit *Dividend Account* with all dividends paid to organizations.

Credit *Cash Account* with all dividends paid in cash to organizations.

91. RESERVE FUND ACCOUNT. "When an exchange is absolutely free from debt a sum sufficient to cover all anticipated expenses for at least one month, will at the end of each quarter, or oftener if deemed advisable by the council and commanding officer, be taken from the cash on hand and set aside as a reserve fund." This fund is usually deposited in the savings department of a bank or loan association where it will net the exchange a small income and still be available if needed.

Credit *Reserve Fund Account* with all Net Profits until the prescribed amount is reached.

Debit *Profit and Loss* with all Net Profits declared to the Reserve Fund.

Debit *Reserve Fund Account* with all amounts withdrawn from it.

Credit *Dividends* with all amounts transferred from the Reserve Fund Account.

92. RESERVE DEPOSIT ACCOUNT.* This is an asset (bills receivable) account that must be opened to offset the Reserve Fund Account, which is a liability account. If the

*This account can be eliminated by debiting the reserve fund to Bills Receivable.

Reserve Fund were left in the business, the assets to offset this fund would be represented by cash on hand. The regulations, however, require that the cash representing this fund be set aside where it will be immediately available if needed. If the cash representing this fund be deposited in a bank, then the deposit represents the fund, and it should be carried on the account book under some such caption as, Reserve Deposit Account, or under name of bank in which deposited.

Debit *Reserve Deposit Account* with all sums deposited to it.

Credit *Cash Account* with all cash deposited to Reserve Deposit Account.

Credit *Reserve Deposit Account* with all sums withdrawn from it.

Debit *Cash Account* with all cash received from Reserve Deposit Account.

93. SURPLUS FUND ACCOUNT. This account is a liability, and is opened to account for profits that are not declared to dividends but are left in the business to give it a larger working capital, in order to carry a larger stock, to discount accounts payable, etc. Cash discount is the source of a considerable profit throughout the year and should not be passed. The size of the Surplus Fund will depend upon the capitalization and amount of business of the exchange.

Credit *Surplus Fund Account* with all Net Profits declared to it until it reaches its prescribed amount.

Debit *Profit and Loss* with all Net Profits declared to Surplus Fund.

Debit *Surplus Fund Account* with all amounts declared from it to dividends.

Credit *Dividend Account* with all amounts declared to dividends from the Surplus Fund.

The advantage of having a part of the working capital represented by a Surplus Fund rather than all by Capital Stock is that the Surplus Fund is much more elastic than Capital Stock, and where it is kept the working capital can therefore be much

more easily expanded and contracted to meet the changing volume of business of an exchange. The business of an exchange is usually much greater in summer than in winter.

94. SINKING FUND ACCOUNT. Depreciations declared to the Building and Fixture Account will provide an increased cash balance out of which to purchase new buildings and fixtures to replace old, but where additional buildings and fixtures are purchased to enlarge an exchange, a special fund must be created out of which to buy them if it is desired not to decrease the working capital. This may be done in two ways. Either an assessment of so much a share may be made on the members of the exchange, or a certain percentage of the net profit may be declared to a reserve or sinking fund out of which to buy them.

This fund should be kept separate from surplus and reserve funds which have been created to give the business a larger working capital, for the reason that as soon as the increased fixtures are purchased, the capital stock is increased in value a like amount.

Credit *Sinking Fund Account* with all Net Profits declared to it.

Debit *Profit and Loss* Account with all Net Profit declared to Sinking Fund Account.

Debit *Sinking Fund Account* with all purchases* of additional buildings and fixtures.

Credit *Capital Stock Account* with all purchases† of additional buildings and fixtures.

Where the funds are created by an assessment on the Capital Stock, the Cash Account is debited and the Capital Stock Account credited with the assessments at once, no sinking fund being provided.

95. RECREATION AND AMUSEMENT FUND ACCOUNT. "Such sum (of the Net Profits) as the council shall

*The Cash Account must also be credited and the Building and Fixtures Account also debited with all purchases for buildings and fixtures, whether they are additional or merely to replace old.

†Any expenditures for propetry must also be credited to Capital Stock and debited to Buildings and Fixtures.

recommend and the commanding officer shall approve, will be set aside for the benefit of the entire garrison, to be disbursed by the post exchange officer on written recommendation of the chaplain approved by the post or regimental commander for the recreation and amusement of the enlisted men of the command. Any property purchased with funds so derived shall pertain to such post exchange as part of its fixtures. At posts other than chaplain posts this fund for the recreation and amusement of the enlisted men will be disbursed by the post exchange officer on the requisition of any officer detailed in charge of such recreation and amusement and approved by the commanding officer." Par. 41, b.

Credit *Recreation and Amusement Fund Account* with all Net Profits declared to it.

Debit *Profit and Loss* with all Net Profits declared to the Recreation and Amusement Fund.

Debit *Recreation and Amusement Fund Account* with all expenditures† for recreation and amusement as enumerated above.

Credit *Cash Account* with all expenditures† for recreations and amusements as enumerated above.

96. BENEFIT OF ENTIRE GARRISON FUND ACCOUNT. "Such sum (of the Net Profits) as the council, with the approval of the commanding officer may determine will be appropriated for the benefit of the entire garrison to all or any of the following purposes: Laying out and preparing and cultivating gardens and supplying seeds, roots, or plants for the same; the purchase of books, newspapers, periodicals, stationery, etc., for the post exchange or post library; the purchase of gymnastic appliances when there is no gymnasium connected with the exchange; prizes for athletic sports. The expenditure of profits for purchases other than these requires the approval of the division commander."

Credit *Benefit of Entire Garrison Fund Account* with all Net Profits declared to it.

Debit *Profit and Loss* with all Net Profits declared to the Benefit of the Entire Garrison Fund.

Debit *Benefit of Entire Garrison Fund Account* with all expenditures for benefit of the entire garrison as enumerated above.

Credit *Cash Account* with all expenditures for benefit of the entire garrison as enumerated above.

97. INSURANCE ACCOUNT. This is an asset account carried in the Ledger to show the unexpired value of insurance premiums. The premium on fire insurance is paid in advance and covers from three to five years. The expenditure for premium should not all be debited to expense at once, for organizations now in the exchange may leave in a short time and new ones take their places, and should all the premium be charged to expense at once the old organization will have paid out of their earnings for insurance that will protect only the property of the new organizations.

Debit *Insurance Account* with all expenditures for insurance.

Credit *Cash Account* with all expenditures for insurance.

Credit *Insurance Account* each month or quarter with the expired values of insurance premiums.

Debit *Operating Expense Account* each month or quarter with the expired values of insurance premiums.

98. DISCOUNT ACCOUNT. This is a revenue account to which are credited all discounts received by paying accounts payable within a specified time, usually 10 days from date of invoice.

Credit *Discount Account* with all discounts received.

Debit *Accounts Payable* with all discounts received.

99. REVENUE ACCOUNT. To this account are credited all revenues received, other than discounts, such as, interest from Reserve Fund, commission from exchange barber, tailor, etc., if they work on commission. Such revenues will usually be in cash receipts.

Credit *Revenue Account* with all revenues received other than discounts.

Debit *Cash Account* with all (cash) revenues received.

100. OPERATING EXPENSE ACCOUNT.* To this account are debited only the expenditures enumerated below.

Debit *Operating Expense Account* with all expenditures for the following:

(a) Compensation of attendants.

(b) Insurance on merchandise, furniture, fixtures, and building, if the property of the exchange.

(c) The cost of books, blanks and stationery (for the exchange); necessary policing about the quarters when not performed by the regular attendants; express and freight charges on articles that are neither merchandise nor permanent fixtures.

Credit *Cash Account* with all cash expenditures made for any of the above enumerated purposes.

101. BUILDING AND FIXTURES EXPENSE ACCOUNT. To this account are debited all expenditures for repairs, painting, etc., of and depreciations in buildings and fixtures. This account may also be called the "Maintenance of Buildings and Fixtures Account."

Debit *Building and Fixtures Expense Account* with all expenditures for repairs, painting, etc., of buildings and fixtures, and with all depreciations in buildings and fixtures.

Credit *Cash Account* with all cash expenditure for such purposes.

Credit *Building and Fixtures Account* with all depreciations in building and fixtures.

Most business houses do not provide a Depreciation Fund, but debit Profit and Loss, and credit Building and Fixtures Account for the same after having taken the trial balance, as shown in par. 274. By either method the results are the same, i. e., by taking the amount of depreciation out of the profits,

* See footnote page 22.

the cash balance is increased the same amount as the value of building and fixtures is decreased. From this greater amount of cash on hand new buildings and fixtures can be bought to replace old.

102. GENERAL REMARKS ON ACCOUNTS. The debit and credit references to the same transactions in the above accounts are reciprocal. For example, under Purchase Account it is specified:

"Debit *Purchase Account* with all purchases of merchandise."

"Credit *Accounts Payable* with all credit purchases."

While under Accounts Payable:

"Credit *Accounts Payable* with the total value of each bill of merchandise purchased."

"Debit *Purchase Account* with the total value of each bill of merchandise purchased."

The same commercial transaction is referred to in both cases; i. e., the purchase of merchandise. The Purchase Account is debited only once and the Accounts Payable credited only once for the same transaction.

Sometimes all the credit or debit entries of one class of commercial transactions for the month are thus combined in one credit or debit entry; or, on the other hand, the credit or debit entry of some transaction is split into two or more credit or debit entries going to two or more different accounts. Thus when an account payable is discounted, the credit entries which balance the one debit entry to Accounts Payable are represented by one credit entry to the Cash Account and another credit entry to Discounts Account.

The above modifications of entries should not confuse the mind of the reader.

Where reserve funds are created out of profits for certain expenditures, *such expenditures must not be debited to any expense account.*

103. THE TRIAL BALANCE. As will be gathered from the immediately preceding paragraphs on double entry accounting, and as stated before, every transaction has a debit

and a credit entry, which entries are always in different accounts. Therefore, the total debit entries to all accounts should equal the total credit entries to all accounts, or stated in another way, the total of all debit balances should equal the total of all credit balances. Arranging the accounts having debit balances to the left and those having credit balances to the right, the accounts are as follows:

Cash Account	Capital Stock Account
Building and Fixtures	Coupon Account
Merchandise on hand ($^1/_1$)	Accounts Payable
Purchase Account	Sales Account
Accounts Receivable	Bills Payable
Bills Receivable	Dividends Unpaid
Reserve Deposit Account	Reserve Fund Account
Operating Expense	Surplus Fund Account
Bldg. and Fixtures Expense	Recreation and Amusement Fund
Insurance Account	Benefit of Entire Garrison Fund
	Sinking Fund Account
	Discount Account
	Revenue Account

When the balances of the several accounts are so arranged, they form what is known as the Trial Balance. If all entries have been posted and posted properly, the Trial Balance will balance. If it does not balance some error has been made and the accounts and the entries must be examined to locate such error. When the accounts balance as shown by the Trial Balance, the bookkeeper can then determine the gross and net profits of the business as explained in the two succeeding paragraphs.

Aids for detecting errors in trial balances are given in par. 258-260.

104. THE TRADING ACCOUNT. This is a controlling account of all merchandise accounts, and whose balance represents the gross profit of the business on the merchandise or-

commodities for sale. This account appears in financial statements—monthly, quarterly, or annual—of corporations, etc., immediately after the Trial Balance.

Debit *Trading Account* with:

(1) Merchandise on hand at beginning of month.
(2) Purchase Account.

Credit *Trading Account* with:

(1) Sales Account.
(2) Merchandise on hand at end of month.

The credit balance represents the *Gross Profit* of the business; or, should there be a debit balance, the *Loss*.

The Trading Account is represented as follows:

Merchandise on hand ($^1/_1$)	Sales Account
Purchase Account	Merchandise on hand ($^1/_{31}$)
Gross Profit	

105. PROFIT AND LOSS ACCOUNT. The gross profit of a business, plus discounts and revenues received, minus expenses, etc., equals the net profit should the former be the greater; if not, the net loss.

The Profit and Loss Account is represented as follows:

Operating Expense	Gross Profit
Bldg. and Fixtures Expense	Discount Account
Net Profit	Revenue Account

106. BALANCE SHEET. It is very necessary that a tabulated statement be made out showing the liabilities, and how and in what form they are represented by assets. This statement is made by taking the assets and liabilities balances out of the Trial Balance, putting the former in the debit column, and the latter in the credit column of the statement. This statement is called the Balance Sheet. The Balance Sheet of the post exchange is represented as follows:

Cash Account	Total Assets
Buildings and Fixtures	Capital Stock
Accounts Receivable	Coupon Account
Bills Receivable (Enlisted men)	Accounts Payable
Bills Receivable (Notes)	Bills Payable
Reserve Deposit Account	Dividends Unpaid
Insurance Account	Reserve Fund Account
	Surplus Fund Account
	Recreation and Amusement Fund
	Benefit of Entire Garrison Fund
	Sinking Fund Account
	Net Profit

Total Assets = Total Liabilities

107. BALANCING ACCOUNTS. The balance is that amount which must be added to the lesser of the two sides of an account to make it equal to the greater side. It is entered on the lesser side in red ink. Should the balance represent the value of property, it is carried down to the opposite side of the account for the ensuing fiscal period; should it represent a profit or a loss to the business, it is not so carried down, but carried forward to the profit and loss account. The following illustration shows an account balanced.

INSURANCE

Jul.	1	Aetna, 3 yrs		36	00	Dec.	31	By Profit & Loss		6	00
						"	31	By Balance		30	00
				36	00					36	00
Jan.	1	To Balance		30	00						

A single line drawn across a money column is the sign of addition, the sum of the numbers above the line being the number entered immediately below the single line. A double line signifies that the account has been balanced, and that all numbers above the double lines are to be ignored in the ensuing fiscal period. These lines are drawn in red ink.

Closing lines are usually not drawn for personal accounts on account of the large number of them. The balance of these accounts, however, are usually determined at the end of each month for the purpose of rendering statements. When a personal account is paid in full, a single line is usually drawn clear across the page immediately below the last entry. The drawing of double lines for all accounts is now often dispensed with on account of the great amount of time thereby consumed, the separation of fiscal periods being accomplished by leaving two or three blank lines. The accounts in the specimen pages, Chapter III, have the double lines omitted.

CHAPTER III
MODEL SET OF DOUBLE ENTRY ACCOUNTING FOR POST EXCHANGES

108. Fort Reynolds, Texas, is garrisoned by the Headquarters and First Battalion, 40th Infantry, Troop "A," 20th Cavalry, and a sanitary detachment of 16 enlisted men. On August 1, 1915, a post exchange was established; 1st Lieut. G. Boyd, 40th Infantry was appointed post exchange officer; and a building was set aside by the commanding officer as an exchange building. In the establishment of the post exchange, the exchange council has complied with all post exchange regulations—the value of each share of capital stock has been placed at $5.00; articles for sale and the selling price for the same have been determined; schedules of charges for post barber and laundryman have been published; etc. All purchases given below have been authorized.

Transactions:	Accounting Disposition:
109. August 15, 1915.	
From Hdqrs. Co. for Capital Stock—$290.00 in cash:	Credit Capital Stock, $290.00 .....(170) Debit Cash $290.00 .....(124)
From M. G. Co., for Capital Stock—$100 in cash and $45.00 in note:	Cr. Capital Stock, $145.00 .....(170) Dr. Cash, $100.00 ....(124) Dr. Bills Receivable, $45.00 .....(167)
From Sanitary Detachment for Capital Stock—note for $80.00:	
From Co. "A" for Capital Stock —$325.00 in cash:	
From Co. "B" for Capital Stock —$325.00 in cash:	
From Co. "C" for Capital Stock —$325.00 in cash:	
From Co. "D" for Capital Stock —$325.00 in cash:	
From Troop "A" for Capital Stock—$300.00 in cash and note of $50.00:	

110. August 20, 1915.

Coupon issue on notes given by enlisted men,—Hdqrs. Co., $10; M. G. Co., $6; San. Det. $3; Co. A, $12; Co. B, $13; Co. C, $11; Co. D, $14; Troop A, $15:

Cr. Coupon Account, $84.00 ..... (123)
Dr. Bills Receivable (Enlisted men) at end of month ..... (159 to 166)

Cash Sales—$10.00:

Cr. Sales Account, $10.00 (122)
Dr. Cash, $10.00 ..... (124)

Coupon Sales—$75.00:

Cr. Sales Account, $75.00 (122)
Dr. Coupon Account, $75.00 ..... (123)

Credit Sales—Hdqrs. Co. $10; M. G. Co., $4; San. Det. $2; Lt. Smith, $5; Capt. Moore, $2.50:

Cr. Sales Account, $23.50 (122)
Dr. Accounts Receivable, $23.50 .. (135-137, 143, 144)

Sergt. Hill detailed as steward extra pay $50 per mo.; Pvts. Orr, Davis, and Bell detailed as attendants, extra pay $15 per mo.

Received from A. B. White Co., Mdse., billed at $150, 2% 10 days. Paid $1.10 for freight:

Cr. Accounts Payable, $150.00 ..... (128)
Cr. Cash, $1.10 ..... (125)
Dr. Purchase Account, $151.10 ..... (121)

111. August 21, 1915.

Coupon Issue—Hdqrs. Co., $8; M. G. Co., $5; S. D., $4; Co. A, $13; Co. B, $11; Co. C, $14; Co. D, $10; Troop A, $14:

Received from Office Supply Co., Typewriter, $80; Safe, $40; Office Desk, $25; Office Cabinet, $50; Adding Machine, $200; net:

Cr. Cash, $395.00 ..... (125)
Dr. Buildings and Fixtures, $395.00 ..... (175)

Received from Cash Register Co., two cash registers, $140 net:

Received from Store Supply Co., Show Cases, $100; and Soda Fountain, $120; net:

Received from C. D. Brown Co., Mdse. billed at $200, 3% 10 days; freight $1.59:
Cash Sales—$12.52:
Coupon Sales—$72.00:
Credit Sales—Co. A, $12; Co. C, $13; Co. D, $12; Lt. Jones, $3; Lt. Davis, $4.50; Capt. Haines, $2.15:

Paid S. P. Ry., $13.78 for freight on fixtures:
Cr. Cash, $13.78 .....(125)
Dr. Operating Expenses, $13.78 .....(182)

Paid A. B. Painter, $10.00 for painting interior of exchange building:
Cr. Cash, $10.00.....(125)
Dr. Bldgs. and Fixtures, Expense Account $10.00 (183)

112. August 22, 1915.

Coupon Issue: Hdqrs. Co., $8; M. G. Co., $4; S. D., $3; Co. A, $14; Co. B, $13; Co. C, $13; Co. D, $12; Troop A, $14:
Cash Sales, $13.10:
Coupon Sales, $71.00
Credit Sales: Co. D, $13; Troop A, $15; Lt. Boyd, $2; Lt. Bracken, $1.50; Lt. Bryant, 90c; Lt. Britt, $3; Lt. Page, 75c:

Received from Empire Theater 1,000 tickets, billed at $75, and to be sold at 10c each:
Cr. Accounts Payable, $75.00 .....(130)
Dr. Purchase Account, $75.00 .....(121)

113. August 23, 1915.

Coupon Issue: Hdqrs. Co., $9; M. G. Co., $6; S. D., $3; Co. A, $14; Co. B, $12; Co. C, $14; Co. D, $12; Troop A, $16:
Cash Sales, $12.75:
Coupon Sales, $76.00:
Credit Sales: Hdqrs. Co. $9: M. G. Co., $2; Capt. Bow-

man, $2.10; Maj. Brand, $1.50; Lt. Bracken, $1.20; Muir, 50c; Lt. Col. Morton 40c:
Received from E. F. Green Co., Mdse. billed at $125.00, 3% 10 days; freight, 95c:

114. August 24, 1915.

Coupon Issue: Hdqrs. Co., $10; M. G. Co., $5; S. D., $2; Co. A, $13; Co. B, $14; Co. C, $12; Co. D, $13; Co. A, $15.
Cash Sales, $18.00:
Coupon Sales, $80.00:
Credit Sales: Co. A, $11; Co. B, $10; Co. C, $14; Capt. Moore, $1; Lt. Bryant, 25c; Col. Brooke, 95c; Lt. Odell, $1:
Received from G. H. May Co., Mdse. billed at $135.00, 3% 10 days, freight, 67c:

Returned to E. F. Green Co., 5 doz. cans spoiled tomatoes, listed at 7½c per can:

Cr. Purchase Account, $4.50 ..... (121)
Dr. Accounts Payable, $4.50 ..... (131)

115. August 25, 1915.

Coupon Issue: Hdqrs. Co., $10; M. G. Co., $5; S. D., $3; Co. A, $13; Co. B, $13; Co. C, $12; Co. D, $13; Troop A, $15:
Cash Sales, $11.48:
Coupon Sales, $69.00:
Credit Sales: Co. D, $12; Troop A, $14; Lt. Smith, $1; Lt. Jones, 50c; Capt. Haines, $1.50; Lt. Britt, $1.50; Capt. Lt. Col. Morton, $2:

116. August 26, 1915.

Coupon Issue: Hdqrs. Co., $9; M. G. Co., $4; S. D., $4; Co. A, $12; Co. B, $11; Co. C,

$10; Co. D, $11; Troop A, $14:
Cash Sales, $13.27:
Coupon Sales, $65.00:
Credit Sales: Hdqrs. Co., $9; M. G. Co., $4; S. D., $2; Lt. Davis, 25c; Lt. Boyd, 65c; Maj. Brand, $2; Capt. Muir, $1.15; Lt. Page, 75c:
Received from Mdse. Supply Co., Mdse. billed at $150, 3% 10 days; freight, $1.16:

117. August 27, 1915.

Coupon Issue: Hdqrs. Co., $10; M. G. Co., $4; S. D., $2; Co. A, $13; Co. B, $14; Co. C, $11; Co. D, $11; Troop A, $16:
Cash Sales, $12.17:
Coupon Sales, $73.75:
Credit Sales: Co. A, $12; Co. B, $12; Co. C, $11; Capt. Bowman, $1; Lt. Boyd, $1.15; Lt. Britt, $1; Col. Brooke, $1.10; Lt. Odell, $1.05:
Received from C. D. Brown Co., Mdse. billed at $180, 3% 10 days; freight, $1.27:

118. August 28, 1915.

Coupon Issue: Hdqrs. Co., $10; M. G. Co., $3; S. D., $2; Co. A, $12; Co. B, $11; Co. C, $13; Co. D, $12; Troop A, $16:
Cash Sales, $10.71:
Coupon Sales, $70.25:
Credit Sales: Co. D, $10; Troop A, $14; Capt. Moore, $2.25; Lt. Bryant, $2; Lt. Page, 65c; Lt. Col. Morton $1:
Received from A. B. White Co., Mdse. billed at $100, 2% 10 days; freight, 72c:

119. August 29, 1915.

Coupon Issue: Hdqrs. Co., $9; M. G. Co., $4; S. D., $3; Co. A, $12; Co. B, $12; Co. C, $11; Co. D, $11; Troop A, $14:
Cash Sales, $12.82:
Coupon Sales, $71.65:
Credit Sales: Hdqrs. Co., $8; M. G. Co., $5; S. D., $1; Lt. Jones, $1.25; Capt. Haines, $1.20; Lt. Bracken, $1.30; Maj. Brand, $1; Capt. Muir, 35c.
Received from O. K. Moore Co., Mdse. billed at $205, less 3% 10 days; freight, 88c:

120. August 30, 1915.

Coupon Issue: Hdqrs. Co., $8; M. G. Co., $3; S. D., $3; Co. A, $10; Co. B, $9; Co. C, $8; Co. D, $14; Troop A, $16:
Cash Sales, $17.09:
Coupon Sales, $78.15:
Credit Sales: Co. A, $13; Co. B, $11; Co. C, $13; Co. D, $11; Troop A, $13; Lt. Davis, $1.75; Lt. Smith, $1.10; Capt. Bowman, 75c; Lt. Odell, $1.25; Lt. Page, 40c:

Paid A. B. White Co., $150 less 2%, bill dated Aug. 20, 1915:

Cr. Cash, $147.00 ....(125)
Cr. Discount, $3.00 ...(180)
Dr. Accounts Payable, $150.00 .....(128)

Paid C. D. Brown Co., $200 less 3%, bill dated Aug. 21, 1915:

August 31, 1915

Paid Sergt. Hill, Exchange Steward, $16.67, for services:

Cr. Cash, $16.67 .....(125)
Dr. Operating Expense, $16.67 .....(182)

Paid Pvts. Orr, Davis, and Bell,
$5.00 each; services as attendants:

The Exchange was closed this date and an inventory of merchandise and fixtures was taken. Value of Merchandise, $293.71; of fixtures, $755.00. Post Exchange Council met at 1:00 P. M.; Net Profit was transferred to Reserve (See Par. 40). Troop A was transferred from Post this date.

JOURNAL

	F.		Dr.		Cr.	
120½		Aug. 15, 1915.				
		Post Exchange, Fort Reynolds, Texas, organized this date. Capital Stock, $5.00 per share. Membership and investments as follows:				
	124	Cash Account	Hdqrs. Co., 40th Infantry,	290	00	
	170	Capital Stock	58 shares.			290	00
	124	Cash Account	M. G. Co., 40th Infantry,	100	00	
	167	Bills Receivable	29 shares.	45	00	
	170	Capital Stock				145	00
	168	Bills Receivable	Sanitary Detachment, Fort	80	00	
	170	Capital Stock	Reynolds, 16 shares.			80	00
	124	Cash Account	Co. A, 40th Infantry,	325	00		
	170	Capital Stock	65 shares.			325	00
	124	Cash Account	Co. B, 40th Infantry,	325	00		
	170	Capital Stock	65 shares.			325	00
	124	Cash Account	Co. C, 40th Infantry,	325	00		
	170	Capital Stock	65 shares.			325	00
	124	Cash Account	Co. D, 40th Infantry,	325	00		
	170	Capital Stock	65 shares.			325	00
	124	Cash Account	Troop A, 20th Cavalry,	300	00		
	169	Bills Receivable	70 shares.	50	00		
	170	Capital Stock				350	00
		Aug. 24, 1915.					
	131	E. F. Green Co.,	5 Doz. cans spoiled tomatoes	4	50		
	121	Purchase Account	returned; C.P. 7½ ¢ can.			4	50
				2169	50	2169	50

PURCHASE BOOK

1915				F.[1]	Invoice.		Freight.		Returns.	
Aug.	20	A. B. White Co.	Inv. 8/20; 2% 10 days.	128	150	00	1	10		
	21	C. D. Brown Co.	Inv. 8/21; 3% 10 days.	129	200	00	1	59		
	22	Empire Theater	Inv. 8/22; net 30 days.	130	75	00				
	23	E. F. Green Co.	Inv. 8/23; 3% 10 days.	131	125	00		95		
	24	G. H. May Co.	Inv. 8/24; 3% 10 days.	132	135	00		67		
	26	Mdse. Supply Co.	Inv. 8/26; 3% 10 days.	133	150	00	1	16		
	27	C. D. Brown Co.	Inv. 8/27; 3% 10 days.	129	180	00	1	27		
	28	A. B. White Co.	Inv. 8/28; 2% 10 days.	128	100	00		72		
	29	O. K. Moore Co.	Inv. 8/29; 3% 10 days.	134	205	00		88		
					1320	00				
							8	34		
							1328	34		
	24	E. F. Green Co.	Merchandise returned	120½					4	50
		Dr. Trading Account							1323	84

[1]The following abbreviations are used, L, Ledger; P. B., Purchase Book; S. B., Sales Book; C. B., Cash Book; I. B., Inventory Book, etc., F, folio or page—as used will refer to paragraph number.

SALES BOOK

1915				Cash Sales		Coupon Sales		Credit Sales	
Aug.	20	Sales		10	00	75	00	23	50
	21	"		12	62	72	00	46	65
	22	"		13	10	71	00	36	15
	23	"		12	75	76	00	20	00
	24	"		18	00	80	00	38	20
	25	"		11	48	69	00	32	20
	26	"		13	27	65	00	19	80
	27	"		12	17	73	75	40	30
	28	"		10	71	70	25	29	90
	29	"		12	82	71	65	19	10
	30	"		17	09	78	15	42	25
		Cash Account Debited	[1]	143	91				
		Dr. Coupon Account	[2]			801	80		
		Accounts Receivable Debited	[3]					348	05
		Cr. Trading Account	[2]					1293	75

[1]Cash account was debited each day.
[2]At the end of the month.
[3]Each Account Receivable was debited for each bill.

COUPON ISSUE BOOK

1915	Ck	F.	L. 159 Hdq. Co.	L. 160 M. G. Co.	L. 161 S. D.	L. 162 Co. A	L. 163 Co. B	L. 164 Co. C	L. 165 Co. D	L. 166 Tp. A	Total
Aug. 20	✓		10 00	6 00	3 00	12 00	13 00	11 00	14 00	15 00	84 00
21	✓		8 00	5 00	4 00	13 00	11 00	14 00	10 00	14 00	79 00
22	✓		8 00	4 00	4 00	14 00	12 00	13 00	12 00	14 00	81 00
23	✓		9 00	6 00	3 00	14 00	13 00	14 00	12 00	16 00	87 00
24	✓		10 00	5 00	2 00	13 00	14 00	12 00	13 00	15 00	84 00
25	✓		10 00	5 00	3 00	13 00	13 00	12 00	13 00	15 00	84 00
26	✓		9 00	4 00	3 00	12 00	11 00	10 00	11 00	14 00	74 00
27	✓		10 00	4 00	2 00	13 00	14 00	11 00	11 00	16 00	81 00
28	✓		10 00	3 00	2 00	12 00	11 00	13 00	12 00	16 00	79 00
29	✓		9 00	4 00	3 00	12 00	12 00	11 00	11 00	14 00	76 00
30	✓		8 00	3 00	3 00	10 00	9 00	8 00	14 00	16 00	71 00
Dr. Bills Payable Acct.[1]			101 00	49 00	32 00	138 00	133 00	129 00	133 00	165 00	
Dr. Coupon Account											880 00

[1]On the last day of each month each company is debited under Bills Receivable (Enlisted Men) for the total amount of credit extended to its men and for which they have given coupon notes payable on next pay day.

CASH BOOK

1915				F.	Receipts		Totals	
Aug.	15	Capital Stock	Edqrs. Co. 40th Inf. 58 shares	170	290	00		
	15	" "	M. G. Co., " " 29 "	170	100	00		
	15	" "	Co. A, " " 65 "	170	325	00		
	15	" "	Co. B, " " 65 "	170	325	00		
	15	" "	Co. C, " " 65 "	170	325	00		
	15	" "	Co. D, " " 65 "	170	325	00		
	15	" "	Troop A, 20th Cav. 70 "	170	300	00		
	20	Sales Account	Cash sales	122	10	00		
	21	" "	" "	122	12	52		
	22	" "	" "	122	13	10		
	23	" "	" "	122	12	75		
	24	" "	" "	122	18	00		
	25	" "	" "	122	11	48		
	26	" "	" "	122	13	27		
	27	" "	" "	122	12	17		
	28	" "	" "	122	10	71		
	29	" "	" "	122	12	82		
	30	" "	" "	122	17	09		
		Total Cash Receipts			2133	91		
							2133	91

CASH BOOK

1915				P.	Expenditures		Totals	
Aug.	20	Purchase Account	S. P. Ry. Frt. on Mdse.	121	1	10		
	21	Building and Fixtures	Office fixtures	175	395	00		
	21	" " "	Store "	175	140	00		
	21	" " "	" "	175	220	00		
	21	Purchase Account	S. P. Ry. Frt. on Mdse.	121	1	59		
	21	Operating Expense Account	" " " " " fixtures	182	13	78		
	22	B. & P. " "	A. B. Painter, Ptg interior	183	10	00		
	23	Purchase Account	S. P. Ry. Frt. on Mdse.	121		95		
	24	" "	" " " " " "	121		67		
	26	" "	" " " " " "	121	1	16		
	27	" "	" " " " " "	121	1	27		
	28	" "	" " " " " "	121		72		
	29	" "	" " " " " "	121		88		
	30	A. B. White Co.	Acct. 8/20 in full, less 2%	128	147	00		
	30	C. D. Brown Co.	" 8/21 " " " 3%	129	194	00		
	31	Operating Expense Account	Sgt. Hill's salary 8/20-8/31	182	16	67		
	31	" " "	Pvt. Orr's " 8/20-8/31	182	5	00		
	31	" " "	" Davis' " 8/20-8/31	182	5	00		
	31	" " "	" Bell's " 8/20-8/31	182	5	00		
		Total Cash Expenditures			1159	79		
		Balance - Cash on Hand and in Bank					974	12
							2133	91

INVENTORY BOOK

Article	Number	Unit	Unit Value	Total Value
126 [1] Inventory of Merchandise—August 31, 1916				
* * *				
* * *				
Total Mdse. on hand, per inventory				293 71
127 Inventory of Building and Fixtures—August 31, 1916				
Adding Machine	1	ea		200 00
Cash Register	2	ea	70 00	140 00
Office Cabinet	1	ea		50 00
Office Desk	1	ea		25 00
Safe	1	ea		40 00
Show Cases	4	ea	25 00	100 00
Soda Fountain	1	ea		120 00
Typewriter	1	ea		80 00
Total value of Building and Fixtures				755 00

[1]To save space items are omitted and "total" only shown. Items should be classified by departments.

ACCOUNTS PAYABLE

Date			F.	Amount		Date			F.	Amount	
128		A. B. White Co., 110 Commerce St., San Antonio, Tex.									
Aug.	30	Cash C.B.	124	147	00	Aug.	20	Mdse. P.B.	121	150	00
	30	Discount G.L.	180	3	00		28	Mdse. P.B.	121	100	00
129		C. D. Brown Co., 336 Houston St., San Antonio, Tex.									
Aug.	30	Cash C.B.	124	194	00	Aug.	21	Mdse. P.B.	121	200	00
	30	Discount G.L.	180	6	00		27	Mdse. P.B.	121	180	00
130		Empire Theater, Reynoldsville, Tex.									
						Aug.	22	Tickets P.B.	121	75	00
131		E. F. Green Co., 223 Main St., Dallas, Tex.									
Aug.	24	Mdse. Returned P.B.	121	4	50	Aug.	23	Mdse. P.B.	121	125	00
132		G. H. May Co., 125 South St., Houston, Tex.									
						Aug.	24	Mdse. P.B.	121	125	00
133		Merchandise Supply Co., 454 Kansas Ave., Kansas City, Mo.									
						Aug.	26	Mdse. P.B.	121	150	00
134		O. K. Moore Co., 666 Madison St., Chicago, Ill.									
						Aug.	29	Mdse. P.B.	121	205	00

ACCOUNTS RECEIVABLE

Date			F.	Amount	Date			F.	Amount
135		Headquarters Co., 40th Infantry							
Aug.	20	Mdse.		10 00					
	23	"		9 00					
	26	"		9 00					
	29	"		8 00					
				36 00					
136		Machine Gun Co., 40th Infantry							
Aug.	20	Mdse.		4 00					
	23	"		3 00					
	26	"		4 00					
	29	"		5 00					
				16 00					
137		Sanitary Detachment, Fort Reynolds							
Aug.	20	Mdse.		2 00					
	23	"		2 00					
	26	"		2 00					
	29	"		1 00					
				7 00					
138		Company "A", 40th Infantry							
Aug.	21	Mdse.		12 00					
	24	"		11 00					
	27	"		12 00					
	30			13 00					
				48 00					

ACCOUNTS RECEIVABLE

Date			F.	Amount		Date			F.	Amount	
139				Company "B" 45th Infantry							
Aug.	21	Mdse.		13	00						
	24	"		10	00						
	27	"		12	00						
	30	"		11	00						
				46	00						
140				Company "C" 45th Infantry							
Aug.	21	Mdse.		12	00						
	24	"		14	00						
	27	"		11	00						
	30	"		13	00						
				50	00						
141				Company "D", 45th Infantry							
Aug.	22	Mdse.		13	00						
	25	"		12	00						
	28	"		10	00						
				35	00						
142				Troop "A", 20th Cavalry							
Aug.	22	Mdse.		15	00						
	25	"		14	00						
	28	"		14	00						
				43	00						

ACCOUNTS RECEIVABLE

Date			F.	Amount	Date			F.	Amount
143		Lieut. A. Smith, 40th Infantry							
Aug.	20	Mdse.		5 00					
	25	"		1 00					
	30	"		1 10					
				7 10					
144		Capt. B. Moore, 40th Infantry							
Aug.	20	Mdse.		2 50					
	24	"		1 00					
	28	"		2 25					
				5 75					
145		Lieut. C. Jones, 20th Cavalry							
Aug.	21	Mdse.		3 00					
	25	"		50					
	29	"		1 25					
				4 75					
146		Lieut. E. Davis, 40th Infantry							
Aug.	21	Mdse.		4 50					
	26	"		25					
	30	"		1 75					
				6 50					
147		Capt. E. Haines, 40th Infantry							
Aug.	21	Mdse.		2 15					
	25	"		1 50					
	29	"		1 20					
				4 85					

ACCOUNTS RECEIVABLE

Date			F.	Amount		Date			F.	Amount	
148		Capt. F. Bowman, 20th Cavalry									
Aug.	23	Mdse.		2	10						
	27	"		1	00						
	30	"			75						
				3	85						
149		Lieut. C. Boyd, 40th Infantry									
Aug.	22	Mdse.		2	00						
	26	"			65						
	27	"		1	15						
				3	80						
150		Lieut. M. Bracken, 40th Infantry									
Aug.	22	Mdse.		1	50						
	25	"		1	20						
	29	"		1	30						
				4	00						
151		Lieut. T. Bryant, 40th Infantry									
Aug.	22	Mdse.			90						
	24	"			25						
	28	"		2	00						
				3	15						
152		Maj. J. Brand, 40th Infantry									
Aug.	23	Mdse.		1	50						
	26	"		2	00						
	29	"		1	00						
				4	50						

ACCOUNTS RECEIVABLE

Date			F.	Amount	Date		F.	Amount
153		Lieut. K. Britt, 40th Infantry						
Aug.	22	Mdse.		3 00				
	23	"		1 50				
	27	"		1 00				
				5 50				
154		Col. L. Brooke, 40th Infantry						
Aug.	24	Mdse.		95				
	27	"		1 10				
				2 05				
155		Capt. M. Muir, 40th Infantry						
Aug.	23	Mdse.		50				
	26	"		1 15				
	29	"		35				
				2 00				
156		Lieut. W. Odell, 40th Infantry						
Aug.	24	Mdse.		1 00				
	27	"		1 05				
	30	"		1 25				
				3 30				
157		Lieut. O. Page, 40th Infantry						
Aug.	22	Mdse.		75				
	26	"		75				
	28	"		65				
	30	"		40				
				2 55				

ACCOUNTS RECEIVABLE

Date		F.	Amount	Date		F.	Amount
158	Lieut. L. Morton, 40th Infantry						
Aug. 23	Mdse.		40				
25	"		2 00				
28	"		1 00				
			3 40				

BILLS RECEIVABLE (ENLISTED MEN)

Date			F.	Amount		Date		F.	Amount	
159						Headquarters Co., 40th Inf.				
Aug.	31	Coupon Notes C.I.B.	123	101	00					
160						Machine Gun Co., 40th Inf.				
Aug.	31	Coupon Notes C.I.B.	123	49	00					
161						Sanitary Detachment, Ft. Reynolds				
Aug.	31	Coupon Notes C.I.B.	123	32	00					
162						Co. "A", 40th Inf				
Aug.	31	Coupon Notes C.I.B.	123	138	00					
163						Co. "B", 40th Inf.				
Aug.	31	Coupon Notes C.I.B.	123	133	00					
164						Co. "C", 40th Inf.				
Aug.	31	Coupon Notes C.I.B.	123	129	00					
165						Co. "D", 40th Inf.				
Aug.	31	Coupon Notes C.I.B.	123	133	00					
166						Troop "A", 30th Cav.				
Aug.	31	Coupon Notes C.I.B.	123	165	00					

BILLS RECEIVABLE (NOTES)

Date		F.	Amount	Date		F.	Amount
167			Machine Gun Co., 40th Inf.				
Aug. 15	Note for Cap. Stock G.L.	170	45 00				
168			Sanitary Detachment, Ft. Reynolds				
Aug. 15	Note for Cap. Stock G.L.	170	80 00				
169			Troop "A", 20th Cav.				
Aug. 15	Note for Cap. Stock G.L.	170	50 00				

GENERAL LEDGER

Date		F.	Amount		Date			F.	Amount	
170			Capital Stock Account		1915					
					Aug.	15	Hdqrs. Co., 40th Inf.			
							58 shares C.B.	124	290	00
					Aug.	15	M. G. Co., 40th Inf. C.B.	124		
							29 shares G.L.	167	145	00
					Aug.	15	Sanitary Detach.			
							16 shares G.L.	168	80	00
					Aug.	15	Co. "A", 40th Inf.			
							65 shares C.B.	124	325	00
					Aug.	15	Co. "B", 40th Inf.			
							65 shares C.B.	124	325	00
					Aug.	15	Co. "C", 40th Inf.			
							65 shares C.B.	124	325	00
					Aug.	15	Co. "D", 40th Inf.			
							65 shares C.B.	124	325	00
1915					Aug.	15	Troop "A", 20th Cav. C.B.	124		
Aug.	31	Balance G.L.	188	2165 00			70 shares G.L.	169	350	00
				2165 00					2165	00
171			Reserve Fund							
		No entries this month.								
172			Surplus Fund							
		No entries this month.								

GENERAL LEDGER

Date			F.	Amount		Date			F.	Amount	
173					Dividend Account						
		No entries this month.									
174					Reserve Deposit Account						
		No entries this month.									
175					Building and Fixtures						
1915											
Aug.	21	Typewriter	C.B.	125	80 00						
	21	Safe	C.B.	125	40 00						
	21	Desk	C.B.	125	25 00						
	21	Office Cabinet	C.B.	125	50 00						
	21	Adding Machine	C.B.	125	200 00						
	21	2 Cash Registers	C.B.	125	140 00						
	21	4 Show Cases	C.B.	125	100 00						
						1915					
	21	Soda Fountain	C.B.	125	120 00	Aug.	31	Balance	G.L.	188	755 00
					755 00						755 00
176					Coupon Account						
1915						1915					
Aug.	31	Coupon Sales	C.B.	122	801 80	Aug.	31	Coupons Issued	C.I.B.	123	880 00
	31	Coupons Outstanding	G.L.	188	78 20						
					880 00						880 00
177					Recreation and Amusement Fund						
		No entries this month.									

GENERAL LEDGER

Date		F.	Amount	Date		F.	Amount
178	Benefit of the Entire Garrison Fund						
	No entries this month.						
179	Insurance Account						
	No entries this month.						
180	Discount Account						
				191$ Aug. 30	A. B. White Co.	L. 128	3 00
Aug. 31	Balance G.L.	188	9 00	Aug. 30	C. D. Brown Co.	L. 129	6 00
			9 00				9 00
181	Revenue Account						
	No entries this month.						
182	Operating Expense Account						
1915 Aug. 23	S. P. Ry., Freight C.B.	125	13 78				
31	Sergt. Hill C.B.	125	16 67				
31	Pvt. Orr C.B.	125	5 00				
31	Pvt. Davis C.B.	125	5 00				
31	Pvt. Bell C.B.	125	5 00	Aug. 31	Balance G.L.	188	45 45
			45 45				45 45
183	Buildings and Fixtures Expense Account						
1915 Aug. 21	A. B. Painter C.B.	125	10 00	Aug. 31	Balance G.L.	188	10 00
			10 00				10 00

GENERAL LEDGER

Date		F.	Amount		Date		F.	Amount	
184			Accounts Payable Account—August, 1915						
							G.L.		
						A. B. White Co.	128	100	00
						C. D. Brown Co.	129	180	00
						Empire Theater	130	75	00
						E. F. Green Co.	131	120	50
						G. H. May Co.	132	135	00
						Mdse. Supply Co.	133	150	00
Aug.	31	Balance	G.L.	188	965	50	O. K. Moore Co.	134	205	00
					965	50			965	50
185			Accounts Receivable Account—August, 1915						
			G.L.						
		Hdqrs. Co., 40th Inf.		135	36	00			
		M. C. Co., 40th Inf.		136	16	00			
		Sanitary Detch.		137	7	00			
		Co. "A", 40th Inf.		138	48	00			
		Co. "B", 40th Inf.		139	46	00			
		Co. "C", 40th Inf.		140	50	00			
		Co. "D", 40th Inf.		141	35	00			
		Troop "A", 20th Cav.		142	43	00			
		Lieut. A. Smith		143	7	10			
		Capt. B. Moore		144	5	75			
		Lieut. C. Jones		145	4	75			
		Lieut. D. Davis		146	6	50			
		Carried Forward			305	10			

GENERAL LEDGER

Date		F.	Amount		Date			F.	Amount	
		Accounts Receivable Account—August, 1915, Cont.								
		G.L.								
	Brought Forward		305	10						
	Capt. E. Haines	147	4	85						
	Capt. F. Bowman	148	3	85						
	Lieut. G. Boyd	149	3	80						
	Lieut. H. Bracken	150	4	00						
	Lieut. I. Bryant	151	3	15						
	Maj. J. Brand	152	4	50						
	Lieut. K. Britt	153	5	50						
	Col. L. Brooke	154	2	05						
	Capt. M. Muir	155	2	00						
	Lieut. N. Odell	156	3	30						
	Lieut. O. Page	157	2	55						
	Lt.-Col. P. Morton	158	3	40	Aug.	31	Balance G.L.	188	348	05
			348	05					348	05
186		Bills Receivable (Enlisted Men) Account—August, 1915								
		G.L.								
	Hdqrs. Co., 40th Inf.	159	101	00						
	M. G. Co., 40th Inf.	160	49	00						
	Sanitary Detch.	161	32	00						
	Co. "A", 40th Inf.	162	138	00						
	Co. "B", 40th Inf.	163	133	00						
	Co. "C", 40th Inf.	164	129	00						
	Co. "D", 40th Inf.	165	133	00						
	Troop "A", 20th Cav.	166	165	00	Aug.	31	Balance G.L.	186	880	00
			880	00					880	00

GENERAL LEDGER

Date		F.	Amount		Date		F.	Amount	
187									
	Bills Receivable (Notes) Account—August, 1915								
	M. G. Co., 40th Inf.	G.L. 167	45	00					
	Sanitary Detch.	168	80	00					
	Troop "A", 20th Cav.	169	50	00	Aug. 31	Balance G.L.	188	175	00
			175	00				175	00
188									
	Trial Balance—August 31, 1915								
	Bldgs. and Fix. G.L.	175	755	00		Capital Stock G.L.	170	2165	00
	Mdse. on Hand 8/20		—			Accts. Payable G.L.	184	965	50
	Purchases P.B.	121	1323	84		Sales S.B.	122	1293	76
	Cash on Hand C.B.	125	74	12		Coupons Outatanding G.L.	176	78	20
	Cash in Bank C.B.	125	900	00		Discounts G.L.	180	9	00
	Operating Expense G.L.	182	45	45					
	Bldgs. and Fix. Exp. G.L.	183	10	00					
	Accts. Rec. G.L.	185	348	05					
	Bills Rec. (E. M.) G.L.	186	880	00					
	Bills Rec. (Notes) G.L.	187	175	00					
			4511	46				4511	46
189									
	Trading Account—August 31, 191p								
Aug. 31	Purchases P.B.	121	1323	84	Aug. 31	Sales S.B.	122	1293	76
					Aug. 31	Mdse. on Hand per Inven-			
Aug. 31	Gross Profit G.L.	190	263	63		tory I.B.	126	293	71
			1587	47				1587	47

GENERAL LEDGER

Date		F.	Amount		Date		F.	Amount	
190	Profit and Loss Account—August 31, 1915								
	Operating Expense	G.L. 182	45	45		Gross Profit	G.L. 189	263	63
	Bldgs. and Fix. Expense	183	10	00		Discounts	180	9	00
	Net Profit	191	217	18					
			272	63				272	63
191	Balance Sheet—August 31, 1915								
	Assets					Liabilities			
	Bldgs. and Fix. G.L.	175	755	00		Capital Stock G.L.	170	2165	00
	Mdse. on Hand 8/31 G.L.	126	293	71		Accts. Payable G.L.	184	965	50
	Cash on Hand C.B.	125	74	12		Coupons Outstanding G.L.	176	78	20
	Cash in Bank C.B.	125	900	00		Net Profit G.L.	190	217	18
	Accts. Rec. G.L.	185	348	05					
	Bills Rec. (E. M.) G.L.	186	880	00					
	Bills Rec. (Notes) G.L.	187	175	00					
			3425	88				3425	88

EXCHANGE COUNCIL BOOK

Proceedings of the Exchange Council

Fort Reynolds, Texas,
August 2, 1915.

The Post Exchange Council met pursuant to the call of its President at 1:00 P. M.

Present: All the members except the commanding officer of Company "C", 40th Infantry.

The following financial statement of the Post Exchange for the part month of August, 1915, was submitted by the Auditing Committee and read to the Exchange Council:

"Trial Balance—August 31, 1915

Capital Stock			$2165.00
Accounts Payable			965.50
Sales			1293.76
Coupons: Issued	$880.00		
Sales	801.80		
Outstanding			78.20
Discounts			9.00
Buildings and Fixtures		$ 755.00	
Purchases		1323.84	
Mdse. on Hand Aug. 15, 1915—None			
Cash on Hand		74.12	
Cash in Bank		900.00	
Operating Expense		45.45	
Buildings and Fixtures Expense		10.00	
Accounts Receivable		348.05	
Bills Receivable (Enlisted men)		880.00	
Bills Receivable (Notes)		175.00	
		$4511.46	$4511.46

"Trading Account—August 31, 1915

Total Purchases	$1323.84	
Total Sales		$1293.76
Mdse. on Hand 8/31/15, per inventory		293.71
Gross Profit	263.63	
	$1587.47	$1587.47

"Profit and Loss Account—August 31, 1915

Gross Profit		$263.63
Discounts		9.00
Operating Expense	$ 45.45	
Buildings and Fixtures Expense	10.00	
Net Profit	217.18	
	$272.63	$272.63

For Financial Statement of subsequent months, or when department accounts are kept see Par. 265.

EXCHANGE COUNCIL BOOK

"Balance Sheet—August 31, 1915

Liabilities:

Capital Stock	$2165.00
Accounts Payable	965.50
Coupons Outstanding	78.20
Net Profits	217.18
Total Liabilities	$3425.88

Assets:

Buildings and Fixtures	$755.00
Merchandise on Hand	293.71
Cash on Hand	74.12
Cash in Bank	900.00
Accounts Receivable	348.05
Bills Receivable (Enlisted men)	880.00
Bills Receivable (Notes)	175.00
Total Assets	$3425.88

"Certificate of Exchange Officer:

"I, G. Boyd, Exchange Officer, Fort Reynolds, Texas, hereby certify that of the moneys for which I am accountable,---------- Nine hundred & no/100----------Dollars, ($900.00), is deposited in The First National Bank of Reynoldsville, Texas, and ---------- Seventy-four & 12/100----------Dollars, ($74.12), is in cash in the Post Exchange.

G. Boyd
1st Lieut., 40th Infantry,
Exchange Officer

"Your committee took an inventory of the merchandise, fixtures, and cash, on August 31, 1915, and audited the accounts of the Post Exchange the same date. To the best of its knowledge and belief, the above financial statement of the Post Exchange for the part month of August, 1915, is true and correct.

I. Bryant
1st Lieut., 40th Infantry

A. Smith
1st Lieut., 40th Infantry
Auditing Committee."

The following motion was then carried: "That the financial statement of the Post Exchange for the part month of August, 1915, as submitted and read, be accepted, and that the expenditures and purchases for the same period be approved."

The following proceedings of a Board of Officers were then submitted and read to the Exchange Council:

EXCHANGE COUNCIL BOOK

"Proceedings of a Board of Officers convened at **Fort Reynolds**, Texas, pursuant to the following order:

Fort Reynolds, Texas,
August 31, 1915.

Special Orders)
No. 23)

1. Under the provisions of Par. 9, G. O. No. 176, W. D., 1909, a Board of Officers is appointed to meet at this station at 1:30 P. M., today, or as soon thereafter as practicable, to appraise the Post Exchange, and determine the present worth of the portion of it owned by Troop A, 20th Cavalry.

Detail for the Board
Major J. Brand, 40th Infantry,
Captain B. Moore, 40th Infantry,
Captain F. Bowman, 20th Cavalry.

By order of Colonel Brooke.

B. Moore
Captain and Adjutant, 40th Infantry,
Adjutant.

The Board met pursuant to the foregoing order at 1:30 P. M.
Present: All the members.
The Board took an inventory of the merchandise, fixtures, and cash, of the Post Exchange, and examined the accounts of the Exchange.
It finds and appraises the assets of the Post Exchange as follows:

Buildings and Fixtures	$755.00
Merchandise on Hand	293.71
Cash on Hand	74.12
Cash in Bank	900.00
Accounts Receivable	348.05
Bills Receivable (Enlisted men)	880.00
Bills Receivable (Notes)	175.00
Total Assets	$3425.88

It finds the obligations of the Post Exchange to be as follows:

Accounts Payable	$965.50
Coupons Outstanding	78.20
Total Obligations	$1043.70

The Board therefore finds the present worth of the Post Exchange to be $2382.18; the present worth of each share, $5.5016; and the present worth of Troop A's, 20th Cavalry, portion, $385.11.
There being no further business, the Board adjourned sine die.

G. O. 176, W. D. 1909 should now read Post Exchange Regulations.

J. Brand
Major, 40th Infantry,
President

B. Moore
Captain, 40th Infantry,
Member

F. Bowman
Captain, 20th Cavalry,
Recorder

APPROVED:
L Brooke
Colonel, 40th Infantry,
Commanding."

The following motion was then carried: "That the above proceedings, as submitted and read, be accepted, and that the same be incorporated in the present proceedings of the Exchange Council."

The following motion was then carried: "That the Exchange pay Troop A, 20th Cavalry, $92.00 in cash, and give its note for sixty days for balance due."

The following motion was then carried: "That in compliance with Par. 17, G. O. 176, W. D., 1909, a Reserve Fund of $250.00 be created and deposited in the Savings Department, First National Bank of Reynoldsville, Texas, and that all net profits be credited to this fund until the same shall have reached the prescribed amount."

The following motion was then carried: "That, in order the Exchange may discount all accounts payable, a Surplus Fund of $1000.00 be created, and after the Reserve Fund, as previously provided, is created, ten per cent of all net profits be credited to this fund until the same shall have reached the above prescribed amount."

There being no further business, the Exchange Council adjourned to meet at the call of its President.

B. Moore
Captain, 40th Infantry,
President

G. Boyd
1st Lieut., 40th Infantry,
Exchange Officer and Recorder

Approved: September 3, 1915.

L. Brooke
Colonel, 40th Infantry,
Commanding.

CHAPTER IV

PRACTICAL SET OF DOUBLE ENTRY ACCOUNTING

193. The data given below are the transactions of the Post Exchange, Fort Reynolds, Texas, for the month of September.* It is recommended that the reader work these accounts out, and write up the proceedings of the exchange council himself. Such practice will be of more benefit than any amount of studying the theory of accounting.

For convenience the coupon issue and credit sales to organizations and officers are given in tabular form.

194. COUPON ISSUE:

Date	Hd. Co.	M. G. Co.	S. D.	Co. A	Co. B	Co. C	Co. D
1	$10.00	$4.00	$2.00	$10.00	$11.00	$10.00	$10.00
2	12.00	5.00	3.00	11.00	12.00	10.00	13.00
3	12.00	5.00	2.00	10.00	11.00	13.00	12.00
4	11.00	6.00	3.00	12.00	13.00	11.00	11.00
5	11.00	6.00	3.00	12.00	12.00	13.00	10.00
6	10.00	5.00	2.00	11.00	11.00	12.00	15.00
7	12.00	4.00	1.00	13.00	10.00	11.00	11.00
8	15.00	3.00	2.00	13.00	15.00	12.00	8.00
9	11.00	4.00	2.00	14.00	12.00	11.00	10.00
10	7.00	6.00	3.00	10.00	11.00	12.00	7.00
11	10.00	6.00	2.00	8.00	7.00	16.00	10.00
12	7.00	5.00	2.00	8.00	11.00	12.00	11.00
13	11.00	4.00	3.00	11.00	8.00	6.00	12.00
14	9.00	3.00	2.00	10.00	11.00	8.00	11.00
15	10.00	4.00	1.00	11.00	12.00	11.00	12.00
16	11.00	3.00	2.00	12.00	13.00	12.00	12.00
17	12.00	7.00	3.00	11.00	11.00	10.00	10.00
18	12.00	6.00	3.00	10.00	9.00	10.00	10.00
19	11.00	6.00	2.00	12.00	12.00	11.00	10.00
20	13.00	6.00	3.00	10.00	9.00	8.00	11.00
21	10.00	5.00	3.00	9.00	11.00	12.00	9.00
22	8.00	5.00	2.00	12.00	11.00	11.00	12.00
23	11.00	5.00	3.00	11.00	12.00	8.00	8.00

*Before making any entries for September, cover motions in proceedings of exchange council for August with proper journal entries.

Date	Hd. Co.	M. G. Co.	S. D.	Co. A	Co. B	Co. C	Co. D
24	13.00	5.00	2.00	13.00	9.00	11.00	12.00
25	12.00	6.00	3.00	10.00	12.00	13.00	11.00
26	10.00	5.00	2.00	11.00	11.00	9.00	9.00
27	13.00	6.00	3.00	9.00	12.00	12.00	13.00
28	12.00	6.00	3.00	11.00	13.00	12.00	11.00
29	11.00	6.00	2.00	12.00	11.00	11.00	12.00
30	(Exchange closed for inventory)						

195. CREDIT SALES:

Date	Hd. Co.	M. G. Co.	S. D.	Co. A	Co. B	Co. C	Co. D
1	$ 7.32	$3.34	$ .65	$ 6.46	$ 8.56	$15.74	$ 4.61
2	.60	2.17	1.25	13.04	4.70	12.86	8.82
3	14.86	4.48	3.00		7.10	4.66	6.75
4	6.75	.80	2.10	10.15	4.56	16.09	12.39
5							
6	2.48	.40	2.75	6.43	5.33	.60	2.10
7	11.66	8.50		2.66	10.00	2.70	1.80
8	.79	2.10	1.95	7.78	2.10	1.20	6.75
9	8.50		.30	6.73	.65	16.34	.60
10	10.20	7.50	2.78	4.46	12.40	1.65	1.44
11	2.45	3.40	3.15	2.00	11.75	12.99	6.15
12							
13	15.16	5.25	.15	.30	2.86	.60	6.75
14	2.00	1.00	1.50	16.47	9.95	.60	.60
15	4.65	6.15	.55	.27	4.68	11.26	6.75
16	8.39	3.00	1.60	.66	7.50	.60	5.92
17	6.90		3.10	.48	7.84	7.89	2.03
18	9.20	8.10	2.25	16.79	3.60	1.89	12.60
19							
20	6.15	.85	1.80	2.38	7.35	6.65	16.39
21	4.03	.50	1.00	11.55	8.79	10.84	3.00
22	3.10	2.70	.25	6.65	4.70		2.80
23	10.00	6.70	2.66	7.38	7.18	8.82	6.75
24	6.86	2.90	1.90	6.90	7.39		3.39
25	5.00	4.95	2.75	7.75	3.48	8.96	13.82
26							

Date	Hd. Co.	M. G. Co.	S. D.	Co. A	Co. B	Co. C	Co. D
27	4.50	1.10	.44	5.40	1.25	6.65	8.49
28	9.75	3.90	2.16	6.95	14.70	.75	.75
29	9.75		3.00	11.55	12.50	9.25	20.00
30		(Exchange closed for inventory)					

Date	Smith	Moore	Davis	Haines	Boyd	Bracken	Bryant
1	$ .25	$ .40		$ .20		$1.40	
2						.25	$ .50
3			$ .25		$ .45		
4	.60	.15					.90
5				.25		.60	
6			.45		1.10		
7	.30	.20					
8						.30	.45
9			.70	.35	.75		
10		.10			.10	.10	
11							.65
12	.85		.20				
13				.40		.20	
14		.30			.50		
15	.15		.10				.70
16						.20	
17				.10			
18		.25					.20
19					.20	.20	
20	3.00		.20				
21						.20	.15
22				.15	.40		
23		.30	.45				
24	.40				1.20		.50
25		.70	1.00			.25	
26				.95	.55		
27	.85	.45					.20
28			.50			.40	
29				.35	.30		.45

Date	Brand	Britt	Brooke	Muir	Odell	Page	Morton
1	$ .60		$ .80				$ .25
2		$ .20			$ .70		
3			.60			$ .45	
4	.80			$ .75			
5				.20	.60		.45
6		.25	.20			.40	
7					.40	.20	
8	.20	.20					.70
9				1.10		.10	
10	.15		.15		.50		
11		.10					.80
12					.10		
13			2.00			.15	
14	1.20			.20			
15		.40					1.50
16					.45	.80	
17			1.00				.15
18	.50			.40			
19		.80				3.00	
20			.50		.75		
21				.90			
22	.45	.20					.75
23	.40			.25			.75
24			.75		.30		
25		.85		.10			
26	.35					.45	
27			.40				1.00
28				.30		.60	
29		.60			.90		

196. SEPTEMBER 1, 1915.
Cash Sales, $15.00.
Coupon Sales, $65.00.

197. SEPTEMBER 2, 1915.
Cash Sales, $14.75.
Coupon Sales, $64.30.

All accounts receivable of officers and organizations were paid this day; total collected, $305.05. Note: Credit all Accts. Rec.

Paid $30.00 for fire insurance policy of $1,500.00 on fixtures and stock—time, three years.

198. SEPTEMBER 3, 1915.

Cash Sales, $13.39.

Coupon Sales, $72.25.

Received from E. F. Green Co., merchandise billed at $175.00, 3% 10 days; freight $1.30. Note: All freight will be considered to have been paid in cash or by check to S. P. Ry. on date of receipt of goods.

Paid E. F. Green Co., $125.00 less 3%; bill of Aug. 23rd.

Gave Troop A, 20th Cavalry, check for $92.00; credited Bills Receivable (enlisted men), $165.00; credited Bills Receivable (notes), $50.00; credited Accounts Receivable, $43.00; returned its note for $50.00; and gave a note of $35.11 for 30 days with interest at 6% from date for its share of the net profits of August. Debited Capital Stock, $350.00 (70 shares of Troop A's stock); debited Profit & Loss, $35.11 for note given Troop A for its share of the net profits.

Credited Reserve Fund for $182.07 from Net Profits, which was deposited in Savings Department, Reynoldsville National Bank, to the credit of Reserve Fund, with interest at 4% payable quarterly, on Jan. 1, Apr. 1, Jul. 1, and Oct. 1.

199. SEPTEMBER 4, 1915.

Cash Sales, $27.74.

Coupon Sales, $72.25.

Received from Empire Theater, 2,000 tickets billed at $150.00; time, 30 days.

Paid G. H. May Co., $135.00 less 3%; bill of Aug. 24th.

Pay day: Received from enlisted men collections for coupon notes, $690.00 all coupon notes payable being paid except that of Pvt. M. Jones, Co. A, 40th Inf., who deserted Sept. 3rd—note, $5.00; that of Pvt. N. Smith, Co. B, 40th Inf., who died on Sept. 2nd—note, $5.00, but at the inventory of his effects, a one dollar coupon book issued to him which had had a ten

cent coupon detached was found and turned over to the exchange officer; that of Pvt. P. Brown, Co. C, 40th Inf., who was discharged on Sept. 1st, and his company commander, Capt. E. Haines, through oversight, omitted the charge from his final statements—note, $5.00; that of Pvt. R. Murphy, M. G. Co., who, although paid, did not appear at the exchange collection table and pay his coupon note—note, $5.00; and that of Pvt. J. D. Owens, Co. B, 40th Inf. transferred to 50th Infantry, Ft. Blank, Tex.,—coupon note $6.00.

200. SEPTEMBER 5, 1915.

Cash Sales, $25.60.

Coupon Sales, $68.15

Received from Capt. E. Haines, check for $5.00 to pay Pvt. Brown's note of $5.00.

201. SEPTEMBER 6, 1915.

Cash Sales, $26.20.

Coupon Sales, $71.35.

Received from O. K. Moore Co., merchandise billed at $125.00, 3% 10 days; freight $.85.

Paid Mdse. Supply Co., $150.00 less 3%; bill of Aug. 26th.

Paid $25.00 for athletic supplies for gymnasium.

202. SEPTEMBER 7, 1915.

Cash Sales, $19.10

Coupon Sales, $66.75.

Paid C. D. Brown Co., $180.00 less 3%; bill of Aug. 27th.

Paid $12.00 for repairs on Post Exchange Building.

203. SEPTEMBER 8, 1915.

Cash Sales, $18.05.

Coupon Sales, $67.15.

Received from O. K. Moore Co., merchandise billed at $125.00, 3% 10 days; freight $1.10.

Paid A. B. White Co., $205.00 less 2%; bill of Aug. 28th.

Received from Quartermaster, Ft. Blank, check for $6.00, in payment of Pvt. J. D. Owens coupon note collected on pay roll.

204. SEPTEMBER 9, 1915.
Cash Sales, $19.27.
Coupon Sales, $67.15.
Received from A. B. White Co., merchandise billed at $200.00, 2% 10 days; freight $1.15.
Paid O. K. Moore Co., $205.00 less 3%; bill of Aug. 29th.

205. SEPTEMBER 10, 1915.
Cash Sales, $18.98.
Coupon Sales, $69.70.

206. SEPTEMBER 11, 1915.
Cash Sales, $16.61.
Coupon Sales, $63.35.
Received from Empire Theater, 2,000 tickets bill at $150.00; time, 30 days.

207. SEPTEMBER 12, 1915.
Cash Sales, $11.77.
Coupon Sales, $43.45.

208. SEPTEMBER 13, 1915.
Cash Sales, $17.37.
Coupon Sales, $71.70.
Received from C. D. Brown Co., merchandise billed at $250.00, 3% 10 days; freight $1.65.
Paid E. F. Green Co., $175.00 less 3%; bill of Sept. 3rd.
Paid $5.00 for plate glass to replace broken glass in showcase and $1.50 for expenses of putting it in.

209. SEPTEMBER 14, 1915.
Cash Sales, $15.12.
Coupon Sales, $64.05.
Received from Mdse. Supply Co., merchandise billed at $200.00, 3% 10 days; freight $1.41.

210. SEPTEMBER 15, 1915.
Cash Sales, $16.66.
Coupon Sales, $65.50.
Cash in Cash Register 50c short.

211. SEPTEMBER 16, 1915.
Cash Sales, $18.18.
Coupon Sales, $70.05.
Received from G. H. May Co., merchandise billed at $150.00, 3% 10 days; freight $.65.
Paid G. H. May Co., $150.00 less 3%; bill of Sept. 6th.

212. SEPTEMBER 17, 1915.
Cash Sales, $15.32.
Coupon Sales, $64.40.
Received from O. K. Moore Co., merchandise billed at $175.00, 3% 10 days; freight $1.35.

213. SEPTEMBER 18, 1915.
Cash Sales, $14.42.
Coupon Sales, $62.00.
Paid O. K. Moore Co., $250.00 less 3%; bills of Sept. 6th and 8th; also, A. B. White Co., $200.00 less 2%; bill of Sept. 9th.

214. SEPTEMBER 19, 1915.
Cash Sales, $14.24.
Coupon Sales, $55.25.

215. SEPTEMBER 20, 1915.
Cash Sales, $16.06.
Coupon Sales, $59.20.
Cash in Cash Register 10c in excess.

216. SEPTEMBER 21, 1915.
Cash Sales, $13.31.
Coupon Sales, $64.50.
Received from A. B. White Co., merchandise billed at $200.00, 2% 10 days; freight $1.11.
Returned to A. B. White Co., merchandise listed at $20.00 on their bill of this date.

217. SEPTEMBER 22, 1915.
Cash Sales, $11.44.
Coupon Sales, $65.00.
Received from E. F. Green Co., merchandise billed at $225.00, 3% 10 days; freight $1.49.

Paid Empire Theater, $75.00; bill of Aug. 22nd.

Received from Mdse. Supply Co., credit memo. for $3.25 for overcharge in their invoice of Sept. 14th.

218. SEPTEMBER 23, 1915.

Cash Sales, $12.21.

Coupon Sales, $58.80.

Received from Mdse. Supply Co., merchandise billed at $200.00, 3% 10 days; freight $1.25

Paid C. D. Brown Co., $250.00 less 3%; bill of Sept. 13th.

219. SEPTEMBER 24, 1915.

Cash Sales, $10.15.

Coupon Sales, $62.27.

Received from C. D. Brown Co., merchandise billed at $150.00, 3% 10 days; freight $.99.

Received from A. B. White. Co., credit memo. for $20.00 for goods returned them Sept. 21st.

220. SEPTEMBER 25, 1915.

Cash Sales, $12.34.

Coupon Sales, $65.15.

Received from Empire Theater, 2,000 tickets billed at $150.00; time, 30 days.

Paid $25.00 for expenses of Post Baseball Team.

221. SEPTEMBER 26, 1915.

Cash Sales, $16.52.

Coupon Sales, $60.35.

222. SEPTEMBER 27, 1915.

Cash Sales, $9.13.

Coupon Sales, $64.00.

Received from G. H. May Co., merchandise billed at $100.00, 3% 10 days; freight $1.40.

223. SEPTEMBER 28, 1915.

Cash Sales, $11.21.

Coupon Sales, $55.45.

Received from O. K. Moore Co., merchandise billed at $100.00, 3% 10 days; freight $.90.

224. SEPTEMBER 29, 1915.

Cash Sales, $15.64.

Coupon Sales, $41.50.

Received from Amusement Supply Co., Kansas City, Mo., one motion picture machine complete, billed at $350.00; time, 60 days.

225. SEPTEMBER 30, 1915.

Exchange closed for inventory.

Paid Sergt. Hill, exchange steward, $50.00, and to Pvts. Orr, Davis, and Bell, $15.00 each.

Lieuts. H. Bracken and O. Page were detailed by the commanding officer to take inventory of and audit the accounts of the Post Exchange.

The results of the inventory were:

Buildings and Fixtures, $1,105.00.

Merchandise on hand, $302.48.

Cash on hand, $15.75.

Cash in Bank, $———. (Balance of Cash Account minus $15.75; determine this yourself.)

226. On this date (Sept. 30) the 2nd and 3rd Battalions of the 40th Infantry arrived at the post as part of its permanent garrison, and their organizations requested membership in the Post Exchange. A board of officers consisting of Major J. Brand, 40th Inf., Capt R. Anderson, 40th Inf., and Capt. B. Moore, 40th Inf., was appointed by the commanding officer under the provisions of Par. 9, G. O. 176, W. D., 1909, to appraise the Post Exchange and determine its present worth. (Special Orders, No. 36, Sept. 30th, 1915, Fort Reynolds.)

Balance the accounts, strike a trial balance and make complete financial statement to be rendered to the Post Exchange Council at its next meeting, which has been called for at 1:30 p. m., Oct. 3, 1915.

Note: It is recommended that the accounts be opened in a common pencil tablet that has lines, the reader himself making the vertical ruling for the different account books used. Place no more than one account to each page in the tablet. After the accounts are closed and balanced on the tablet paper, they

may be typewritten on the blank letter paper, leaving several lines between accounts. After the pages are typewritten they should be bound just the same as pay rolls.

The journal may be used if desired. Journal ruling is shown in Form H.

227. OCTOBER 1, 1915.

The Board of Officers appointed above met and appraised the Post Exchange, as follows: Buildings and Fixtures $1,342.25, a 5% depreciation being charged to the $755 of fixtures bought during August; the rest of the assets and liabilities were appraised as shown in the monthly financial statement rendered by the exchange officer to the Exchange Council. Note: Accrued interest of 55c from reserve fund due but not received.

Write up the proceedings of this board.

228. OCTOBER 2, 1915.

The commanding officer approved the above proceedings and sent them to the Exchange Council.

229. OCTOBER 3, 1915.

Exchange Council met at 1:30 P. M.

Financial statement rendered by Exchange Officer and presented to the Exchange Council by the auditing committee, was accepted by the council.

Proceedings of this board were accepted and ordered recorded in the exchange's proceedings.

A motion was carried to declare as dividends all net profits not otherwise provided for by regulations, nor previously provided for by the Exchange Council, and to be distributed according to the number of shares held by each member. See Chapter VI, par. 269, for special article on "Declaring Dividends."

Write up the complete proceedings of the Exchange Council. (Assume all members of council present.)

Append extra pages of general ledger ruling, showing distribution of net profits and dividends, as follows:

From the Profit and Loss Account,

To the Reserve Fund Account.

To the Surplus Fund Account.

To the Regimental Funds.

To the Dividend Account.

To other funds, such as Amusements for Enlisted Men; to cover notes payable and due of members.

Note: From Oct. 1st, the exchange is open and in operation, but during these few days to Oct. 5th, it is only desired to cover the complete adjustment of accounts with respect to the September dividend.

CHAPTER V

SPECIAL PROBLEMS

1. Posting Double Entries

230. To know at once to what accounts to post the entries of any commercial transaction requires a thorough understanding of the nature and interrelation of all accounts. The accounts of a business are all coördinated. In so far as the balance of the whole system in concerned, any debit or credit entry of one account is just as important as the debit or credit entry of any other account.

The exposition of double entry accounting in Chapter II, may not have succeeded entirely in making the subject perfectly plain to the reader; but if Chapter III is carefully perused and the accounting dispositions of each entry noted, Chapter II should be easily understood upon reading it again. Under each account in double entry accounting in Chapter II, are given the more common entries to other accounts corresponding to the debit and credit entries of that account. But from the nature of any commercial transaction, the bookkeeper should know at once to what accounts the entries of it should go.

It should be constantly kept in mind that *the whole theory of double entry accounting is based on the simple proposition that for every commercial transaction there are always a debit and a credit entry.* The two entries can never be made to the same account, but must always be made to different accounts. The two entries are always equal to each other. Either of the entries, however, may sometimes be split and have its different portions posted to different accounts. For example, where an account payable of $100.00 is paid within cash discount time at 3% off, only $97.00 is paid to the creditor. The credit entry is represented by $97.00 posted to Cash Account, and $3.00, to the Discount Account—total credit entry $100.00.

On the other hand, the combined debit or credit entries of an account for a day, week, or month, may be entered in one entry. Thus the Cash Account is debited at the close of each day with

the total cash sales for the day. Here the total cash sales for the day represent the debit entries of many single cash transactions.

231. SYSTEMATIC POSTING OF DOUBLE ENTRIES. It can readily be seen that if it were attempted to post both entries of each transaction, as it presented itself, to the different accounts to which they belonged, it would necessitate turning to these accounts in immediate succession. If the different accounts were in different account books, as they usually are, the bookkeeper's time would be mostly consumed with the handling of account books. To overcome such a superfluous handling of account books, a systematic method of posting entries must be employed.

For posting, either only one entry of a transaction is posted at the time, the other being posted to its account later; or only a record of the transaction is made at the time, both accounting entries being posted to their accounts later from this record.

(1) Whenever one of the entries of a transaction is a debit entry to the Purchase Account, or a credit entry to the Sales Account, or either a debit or credit entry to the Cash Account, such entry is posted directly to that account, the other entry being posted to its account later, as will be explained below.

(2) Whenever neither of the entries of a transaction is a debit entry to the Purchase Account, or a credit entry to the Sales Account, or either a debit or credit entry to the Cash Account, a record of the transaction is made in a book called the Journal, both entries of the transaction being posted to their respective accounts later as will be explained below.

232. ORIGINAL ENTRIES. These are the entries specified in (1) above:

To the Purchase Book: Upon opening of the day's mail, all invoices of merchandise purchases received will be sent to the bookkeeper who will debit the Purchase Account with the sum of each invoice.

To the Sales Book: At the close of the day, the steward will send his daily report of sales to the bookkeeper who will credit the total of sales for the day to the Sales Account. Separate

entries showing the totals of coupon, credit, and cash sales may be made if desired by providing extra columns; also, the total sales of each sales department.

To the Cash Book: The cash receipts of a post exchange are represented by (a) cash sales; (b) collections from enlisted men on pay day; (c) cash received from credit accounts, etc.

(a) The total of cash sales as shown by the steward's daily sales report is debited to the Cash Account at the close of each day.

(b) The total collection from the enlisted men of each company, on pay day, is debited to the Cash Account on pay day. Also individual collections at other times.

(c) Each cash receipt from a customer in payment of his credit account is debited to the Cash Account at once.

Any other cash receipt will also be debited to the Cash Account at once.

The cash expenditures of a post exchange may be for merchandise, expenses, dividends, etc. In any case, credit Cash Account with each expenditure. It is possible to make all cash expenditures by checks only and this should be done. In this case, the exchange officer should write all checks for expenditures at one time each day if possible and credit them at once to the Cash Account. Should the exchange officer make expenditures from cash on hand, he must either post the same to the Cash Account at once or make a memorandum of each expenditure as made, posting therefrom to the Cash Account later. Trusting to memory should not be depended upon.

233. JOURNAL RECORD ENTRIES. These are the records of transaction specified in (2) above. The transactions of which record entries must be made in the Journal are:

Merchandise returned to us.

Merchandise returned by us.

Notes given by organizations in payment of capital stock.

Notes given by post exchange in buying back capital stock.

And a few other uncommon transactions.

These transactions are evidenced either by letters or notes received or sent, at which time they are immediately sent to the

bookkeeper, who makes the necessary journal record entries.

The journal entry should include: (1) the date, (2) the account or accounts to be debited and the amount or amounts, (3) the account or accounts to be credited and the amount or amounts, and (4) an explanation of the transaction.

The explanation should be concise but complete. It should enable one to know at once what the transaction is without having to refer to other records. There are several forms in which a journal entry can be made of which the following is the more common:

(Account to be debited) Dr. (Concise, but complete (Amount)
To (Account to be credited) Explanation.) (Amount)

The following form, however, is more used by large business houses:

(Amount) (Account to be debited) Dr. to (Account to be credited) (Amount)
(Concise, but complete explanation)

Formerly it was thought necessary to make record entries of all transactions other than cash transactions to the Journal. The present method of making original entries of purchases and sales, as explained above, has resulted in greatly reducing the amount of posting to account books with equal efficiency and much more simple accounting.

No credit columns for Bills Receivable and Accounts Payable, and debit columns for Accounts Receivable and Bills Payable are provided in the Journal shown in Form H; for journal record entries to them, where sales and purchases are posted directly to their respective accounts, are very seldom if ever made. In case there was a journal record entry for any of these missing columns, it would have to be posted in the General Ledger columns.

234. POSTING FROM THE PURCHASE BOOK. A regular time for posting the second entries from the Purchase, Sales, and Cash Books, and both entries from the Journal, is reserved each day or week.

The accounts which have their credit entries corresponding to debit entries in the Purchase Account are Accounts Payable.

With the Purchase Book opened and on the desk to the left, have the Accounts Payable Ledger on the desk to the right. Commencing at the first debit entry in the Purchase Account, post the corresponding credit entry in its Account Payable in the Ledger, posting also the folio of the Purchase Book in the Ledger. Also post the folio of the Ledger containing this Account Payable, in the Purchase Book opposite this entry, so as to furnish a cross reference and a "check off" of the original entries in the Purchase Book when posted to the Accounts Payable Ledger.

235. POSTING FROM THE SALES BOOK. The accounts which have their debit entries corresponding to credit entries in the Sales Account are:

The Coupon Account.

The Cash Account.

Accounts Receivable.

In post exchanges, posting from the Sales Book is done only once a month. At that time with the Sales Book to the left and the General Ledger to the right and opened at the Coupon Account page, debit Coupon Account with the total coupon sales for the month.

The debit entries to the Cash Account corresponding to the credit entries of cash sales to the Sales Account, have been posted to the Cash Account each day as original entries.

In post exchanges the Sales Account is not credited with each credit sale, but only with the total of such sales for the day. These credit sales are itemized on sales slips which are filed away. At the end of the month, the credit sales slips of each customer are added together and a statement rendered to him. Before rendering these statements, they are sent to the bookkeeper who debits the several Accounts Receivable with them. At the same time he adds together the totals of all of them, and the aggregate total obtained should equal the total of credit sales for the month, as shown by the Sales Book.

236. POSTING FROM THE CASH BOOK. The more common accounts which have their credit entries corresponding to debit entries in the Cash Account are:

Accounts Receivable.

Bills Receivable.

On the day before the date specified by the commanding officer for all Accounts Receivable to be paid, with the Cash Book to the left and the Accounts Receivable Ledger to the right, commence at the first cash receipt and for each cash receipt from an account receivable, credit its Account Receivable in the Ledger. The folio of the Accounts Receivable Ledger which is entered in the Cash Book furnishes a check on the posting.

Change the Accounts Receivable Ledger for the Bills Receivable Ledger, and credit each organization therein with the total collection from the enlisted men of it on pay day, as shown by the Cash Book.

Any other account which has a credit entry corresponding to a debit entry in the Cash Account is similarly posted.

The more common accounts, having their debit entries corresponding to credit entries in the Cash Account, are:

Accounts Payable.

Expense Accounts, etc.

With the Cash Book to the left and Accounts Payable Ledger, Expense Book, or other account book, placed to the right, similarly post from the Cash Account to the Accounts Payable, Expense Account, etc.

237. POSTING FROM THE JOURNAL. For convenience in posting, the Journal is usually furnished with "Dr." columns for Bills Receivable and Accounts Payable, and "Cr." columns for Accounts Receivable and Bills Payable, in addition to the regular "Dr." and "Cr." column, usually headed "General Ledger."

With the Journal to the left and the Bills Receivable, Accounts Payable, Accounts Receivable, and Bills Payable Ledgers to the right in turn, post all the entries from their respective four columns in the Journal to their proper accounts in the Ledgers. Lastly, place the General Ledger to the right, and post all journal entries in the "Dr. General Ledger" column

Date		F	Cash	Coupon	Credit	Total	Restaurant Dept.	Grocery Dept.	Miscellaneous Dept.

Form F, SALES BOOK

Date	Name	F	Invoice	Freight		Total	Restaurant Dept.	Grocery Dept.	Miscellaneous Dept.

Form G, PURCHASE BOOK

to their proper accounts in the General Ledger; then all journal entries in the "Cr. General Ledger" column to their proper accounts in the General Ledger.

Where no separate columns are provided in the Journal for accounts usually carried in the General Ledger, or for accounts carried in separate account books, journal entries for such account will have to be made in the General Ledger columns. In such cases, the posting of entries to them from the Journal is made in the same manner as described in the preceding paragraph.

2. Account Books

238. The forms and rulings of account books should be entirely based upon convenience and simplicity in accounting. Rulings specially adapted to certain accounts are often not suitable for other accounts. The amount and character of business will vary the ruling of the account books for some accounts.

239. INVOICES RECEIVED BOOK. Formerly, each invoice of merchandise received was copied in the same itemized form in a Day Book, usually designated the Invoices Received Book. Now the invoices received are generally either bound into a book form or filed away. The lack of a uniformity of sizes for invoices renders a bound volume of them difficult to handle. Each invoice of merchandise bought is debited to the Purchase Account.

240. INVOICES SENT BOOK. Invoices sent are never itemized in the Day Book any more. The typewriter enables carbon copies to be easily made at the same time as the original. These copies, for any firm, are all of the same size, and when bound form a neat volume. Each invoice of merchandise sold is credited to the Sales Account.

241. THE CASH-JOURNAL. The general practice now is to join the Cash Book and Journal in one account book called the Cash-Journal, as shown in Form I. In this illustration special columns are provided for a few accounts having many entries, such as the Expense and Discount Accounts, and where

these accounts are so kept only controlling accounts of them need be kept in the General Ledger. Any number of accounts may be kept in the Cash Journal according to the number of columns provided. The illustration shown in Form I is so arranged that the total of all the debit columns equals the total of all the credit columns.

242. CASH-MERCHANDISE-JOURNAL. Where a debit column is provided in the Cash-Journal for "purchases" and a credit column for "sales," it becomes a Cash-Merchandise-Journal, and it possesses the advantage that it contains all original and record entries of a business. In most businesses it is more desirable to keep the Purchase and Sales Accounts in separate account books so that the purchases for and sales by departments may be shown. To make this book complete for original and record entries it would have to include a credit column for the Coupon Account, but this account must be kept in a separate account book so that the coupon issues to the enlisted men of each organization can be shown.

243. GENERAL LEDGER. The ruling of the regular ledger book is common to all. It is not absolutely necessary to have any other account book than the Ledger, for its ruling may be used for any account; and this would be entirely practicable in a small business. But it is more convenient even in small businesses to have separate account books for the Cash, Purchase, and Sales Accounts, and in post exchanges, the Coupon Account.

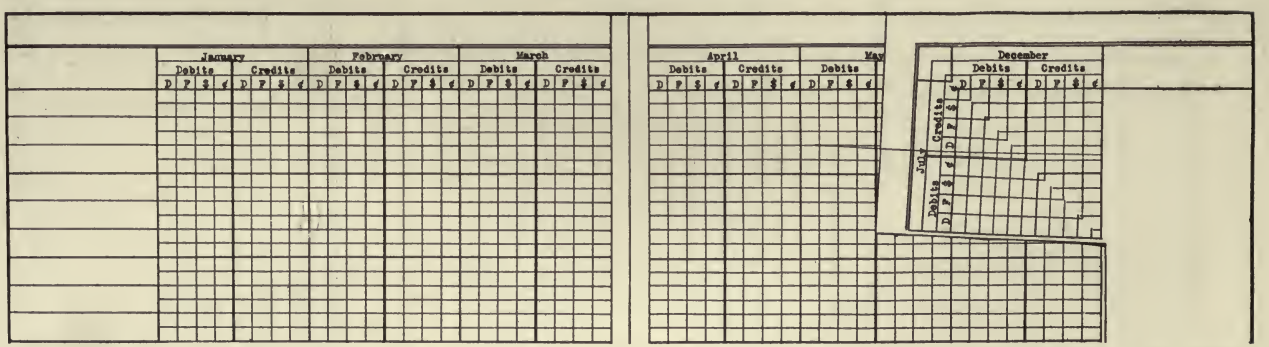
244. BALANCE LEDGERS. Ledgers which have a special column for balances are called Balance Ledgers. The following accounts are usually kept in Balance Ledgers, their controlling accounts being kept in tabular form arranged by names either in the General Ledger or on pages reserved in the Balance Ledger for them:

General Ledger		Bills Receivable		Accounts Payable		L. F.		L. F.	Accounts Receivable		Payable Bills		General Ledger	

Form H, JOURNAL

General Ledger	Accounts Payable	Operating Expenses	Bank Deposits	Cash Receipts	F	Date and Name	F	Cash Expenditures	Bank Withdrawals	Revenue and Discount	Accounts Receivable	General Ledger

Form I, CASH-JOURNAL



Form J. ACCOUNTS RECEIVABLE LEDGER

Date		F	Debit	Balance	Credit	F		Date

Form K, BALANCE LEDGER

Date	Name	Name	Name	Name	Name	Name	Name	Name	Total

Form L, COLUMNAR LEDGER

Names	F	1-31-16	2-29-16	3-31-16	4-30-16	5-31-16	6-30-16

Form M, TABULAR LEDGER

Accounts Receivable.
Accounts Payable.
Bills Receivable.
Bills Payable.

Where Accounts Receivable are kept in a special ledger, such ledger is usually called the Sales or Customers' Ledger; and where Accounts Payable are kept in a special ledger, such ledger is usually called the Purchase or Creditors' Ledger.

The advantages of the Balance Ledger for the above accounts are very apparent.

245. COLUMNAR LEDGERS. A Columnar Ledger is one which has columns ruled for each account, personal or impersonal. If entries to it are to be by day, it should have at least 33 horizontal lines—one for each day of the month, and two or three for totals. The Sales Account and Coupon Account are kept in columnar ledgers called the Sales and Coupon Books, respectively.

246. TABULAR LEDGERS. A Tabular Ledger is one in which the accounts occupy horizontal lines, the names of the account being arranged on the left of the account page in alphabetical or numerical order. Columns are arranged to the right, one for each date. See Form M. Accounts and Bills Receivable and Payable Controlling Accounts are often kept in Tabular Ledgers.

247. LOOSE LEAF LEDGERS. Ledgers with detachable leaves bound in a cover with locking device, so that when the binding is unlocked, the leaves may be removed, are called Loose Leaf Ledgers. The ruling may be the regular, balance, columnar, or tabular form. The Loose Leaf Ledger is much better suited for some accounts than the bound ledgers, especially for personal accounts, as any dead account may be removed at any time and the live accounts can be kept in alphabetical order.

248. SPECIAL LEDGERS. The term Special Ledger is used for any Ledger other than the General Ledger. In addition to the accounts enumerated in the immediately pre-

ceding paragraphs, special ledgers may be provided for the Expense, Revenue, and Discount Accounts.

3. Changing from Single to Double Entry Accounting

249. In single entry accounting, or bookkeeping, accounts for assets and liabilities are carried, but in no balanced system. If there are some assets and liabilities for which there are no accounts kept, an inventory of such assets and liabilities must be taken and an account opened for each kind, to change from single to double entry accounting. In order to make this systematic, all the accounts necessary to cover the business are opened, except an account for capital stock. A complete inventory is then taken of the whole business including all assets and liabilities, and the several accounts are debited and credited respectively, with the same. Each account is then balanced. All debit balances (which represent assets) are placed in one column, and all credit balances (which represent liabilities) are placed in another column. The sum of each column is then obtained, and the excess of the debit balances over the credit balance is the excess of assets over liabilities and represents the capital stock of the business. A Capital Stock Account is then opened to which is credited this difference. A balanced system of accounts is thereby effected and from then on all accounts are ready for the double entry of commercial transactions.

4. Stock Accounting

250. By "stock accounting" is meant the accounting of the merchandise on hand in a systematic and logical manner. As usually kept in small businesses, the Merchandise Account is debited with the merchandise on hand per inventory at the beginning of the month, and the purchases made during the month; and credited with the sales during the month and merchandise on hand per inventory at the end of the month, the debit balance representing the gross profit of the business for the month.

This method is very defective in that there are no checks by means of which it can be determined (1) whether any merchandise has been lost or stolen, and (2) whether all cash sales have been turned in. Of course, the manager from his knowledge of the merchandise on hand at the beginning of the month and the amount of purchases during the month and the merchandise on hand at the end of the month, would have a good idea as to what the amount of sales and gross profit should be, and should be able to detect any large loss. He would not, however, have definite knowledge or data by which he could detect the shortage. Any discoveries on his part would be an incidental result of a close supervision, which would be possible only in a small business where the number of employees is small. In large businesses, where the number of employees is large, responsibility is distributed, and close supervision is difficult, a more accurate method of merchandise accounting is necessary.

This is accomplished as follows:

First, A storekeeper is responsible for all merchandise from the time of its receipt to the time of its issue to a sales department.

Second, The sales clerk (or chief) of a sales department is responsible for all merchandise in his department from the time of its issue to him until a cash or credit equivalent for it is turned in to the office.

251. STOREROOM STOCK ACCOUNTING. An itemized bill always accompanies a consignment of merchandise. Upon the receipt of a bill for merchandise purchased, the mail clerk sends it at once to the bookkeeper, who debits the Purchase Account (Purchase Book) with the same. It is then sent to the storekeeper who checks the merchandise received in the shipment off from the bill. Should there be a shortage, or merchandise spoiled, or merchandise of inferior quality, he makes out an itemized memorandum on a prescribed form (Form C) of such merchandise and sends it at once to the office and the proper executive officer of the business (Exchange Officer) verifies the shortage or other claim. A claim is then

made to the creditor. All items as checked are posted to their respective stock accounts.

252. MERCHANDISE STOCK ACCOUNTS. In the office accounts for each article of merchandise kept for sale are kept on "3 x 5" account cards, which are classified alphabetically according to the kind of merchandise. This stock account is debited with all quantities of the article of merchandise received, and credited with all quantities of it issued to sales departments on receipted "issue" blanks, which are made in triplicate, the original being sent to the office, one being kept by the storekeeper as a voucher for the issue, and the other being given to the sales clerk. The balance on any stock account card shows the quantity of the article which it represents that should be on hand in the storeroom, and this balance should check with an inventory of that article made at any time. If there should be a shortage of the article on hand, it can be detected and the storekeeper held responsible unless evidence shows that such shortage was due to some cause beyond the storekeeper's control. As a result, the storekeeper will always keep a close check on the merchandise on hand and report at once any shortage.

253. MERCHANDISE DESTROYED. Merchandise that is unsaleable and worthless, is destroyed in the presence of the exchange officer. The storekeeper makes an itemized list (Form C) of such merchandise and hands it to the exchange officer, who inspects the merchandise, checks off the same on the itemized list, and after witnessing its destruction signs the list. From this list the bookkeeper credits each individual stock account with the amount of its merchandise destroyed. The list is then turned over to the storekeeper who keeps it as a voucher for the merchandise destroyed.

254. SHORTAGES. Whenever there develops a shortage in merchandise, as through theft, fire, etc., an itemized list of the shortage is presented to the exchange officer who immediately investigates the shortage. The finding is used as a voucher for crediting the individual stock accounts.

Name of Article Class Department

Date Received		Bill No.	Unit C. P.	Unit S. P.	Quantity Received	Balance	Quantity Issued	Vou. No.	Date Issued	

Form N. MERCHANDISE STOCK ACCOUNT CARD*

*The merchandise stock accounts can be conveniently kept on Q. M. C. form 200.

Name of Article	C. K.	Number	Unit	Unit C. P.	Cost Value	Unit S. P.	*Selling Value

Form O, INVENTORY BOOK

*The selling price is included only in inventories of sales department.

Date	Issues	Issue Vo.	Value (S. P.)	Balance	Amount	S. B.	Sales	Date

Form P, SALES DEPARTMENT STOCK ACCOUNT

POST EXCHANGE, FORT REYNOLDS, TEX.

No. ..... Sales Clerk ..... Date .....

M. .....

Address .....

Amt.	Article	Unit S. P.	Value
Total			

Received .....

Credit Sales to be Signed by Customer.

Form R, SALES SLIP

REQUISITION AND ISSUE VOUCHER

Dept. ..... Date .....

Clerk ..... O. K. .....

Amt.	Article	Unit S. P.	Value
Total			

Issued .....

Storekeeper.

Received .....

Sales Clerk.

Form Q, REQUISITION AND ISSUE

255. SALES DEPARTMENT STOCK ACCOUNTING. A separate stock account for each sales department is kept by the bookkeeper to which is debited the amount and value of all merchandise on hand in that department at the beginning of the month and the amount and value of all merchandise issued to it during the month—all at selling price; and to which are credited all cash, coupon, and credit sales made in that department as shown by the Steward's daily report of sales; the balance of this account at any time represents the value of merchandise (at selling price) on hand in that department at that time, and this balance should check with an inventory (at selling price) of the merchandise of that department at that time. If so kept, any shortage, loss, or sales not reported, etc., can be quickly detected and responsibility fixed.

256. ISSUES OF MERCHANDISE TO SALES DEPARTMENTS. Whenever a sales department needs any merchandise, its sales clerk makes a requisition on the storekeeper. The storekeeper then itemizes such articles called for that he has on hand, on an issue slip (Form Q),* which he makes out in triplicate and has the sales clerk to sign. The original is retained by the storekeeper, who credits the individual stock accounts for the quantity of each article issued; one copy is sent to the bookkeeper who debits the sales department for the value (at selling price) of the merchandise issued to it; and the other copy is given to the sales clerk.

257. RECORD OF SALES. Each sales department usually has a cash register, unless, as in case of large exchanges, a cashier is employed who receives all cash and makes change.

In the first case, all sales, whether cash, credit, or coupon, are registered when made. Credit sales should be itemized on duplicating sales pad: the copy is detached and given to the customer; the original is retained and turned in to the office. The sales clerk is usually required to keep a tabular sales sheet to which is debited the total value of each sale as it is made. At the close of business each day, the steward collects the cash,

*Or Form A.

coupon, and credit sales slips from each sales department, giving the sales clerks receipts for the same. These he combines to make his steward's daily report of sales, required by regulations, and posts the same in the exchange building. It is well for the sales clerk to compare the figures on this report with those on their receipts so as to detect any mistake.

In the second case, where a cashier is employed, the sales clerk makes out a duplicate sales slip for each sale—whether cash, coupon, or credit. In credit sales the original sales slip, signed by the customer, is sent to the cashier and the copy is given to the customer. In cash and coupon sales, the cash or coupons are sent to the cashier with the copy of the sales slip, and the original is given to the customer. At the same time the sales clerk debits his general sales sheet with the number of the sale and its total value.

In either case the steward or cashier, as the case may be, turns the original credit sales slips and copies of cash and coupon sales slip over to the bookkeeper to enable him to credit the proper sales department stock accounts with the value of the same.

5. TRIAL BALANCES

258. A Trial Balance is a general balance taken of all the accounts of a business to determine their accuracy. Only the balance of each account is represented in this general balance. For greater convenience where there is a large number of accounts of the same kind, as personal accounts, etc., a tabular summary of the balances of such accounts is made and only the aggregate sum of all the balances of such accounts is entered in the Trial Balance, under the caption of Accounts Receivable Account, etc.

From the definition of double entry accounting, that for every debit entry to any account there must be an opposite credit entry to some other account, it is at once evident that if all double entries of transactions have been made, the combined sum of all debit entries to all accounts should be equal to the combined credit entries to all accounts. Or, what

amounts to the same, the total of debit balances must equal the total of credit balances.

If the Trial Balance does not balance, it will be due to one or more of the following causes:

(1) An error in the Trial Balance itself; such as, an omission of one or more accounts, an insertion of a previously ruled off account, a mistake in posting one or more accounts, or a mistake in addition.

(2) An error in one or more accounts; such as, an omission of one or more entries, a mistake in posting some entry, or a mistake in addition.

259. DETECTION OF ERRORS IN TRIAL BALANCES. Where the Trial Balance does not balance, a systematic analysis, or diagnosis so to speak, should be made, otherwise the bookkeeper will flounder in the dark, detecting the error if at all only by accident.

NORMAL PROCEDURE: (1) Re-add the credit and debit columns of the Trial Balance.

(2) Check the balance of each account as shown in the Trial Balance with the balance as shown in its account, to see if the balances in both places are exactly the same. Often a mistake in posting a number is made by reversing the order of two adjacent digits (transposition), or by posting a number in a higher or lower order (slide).

(3) Run through all the account books checking each one off that appears in the Trial Balance to see if some account may not have been omitted from the trial balance. Also check personal accounts with their controlling account to see if some account may not have been omitted from its controlling account. Often an account balanced and closed at a previous trial balance has not been ruled off and is included in the present Trial Balance through oversight.

(4) Re-add the debit and credit columns of all accounts.

(5) Check the record entries in the Journal with both their double accounting entries in their respective accounts, to see if one may not have been omitted; check off with red pencil

each debit entry in the accounts of original entry (the Cash, Purchase, Sales, and Coupon Accounts) with its corresponding credit entry in some other account, to see if the credit entry has been posted and, if so, correctly.

(6) Check off with blue pencil each credit entry in the accounts of original entry with its corresponding debit entry in some other account, to see if the debit entry has been posted and, if so, correctly. If there has been an omission of a credit entry, it will be detected in the fifth step, but the omission of a debit entry will not be detected until the sixth test is applied.

SPECIAL PROCEDURE: If the bookkeeper has a good "hunch" as to the source or probable source of the error, he may investigate such source at once before attempting the normal procedure outlined above.

260. SPECIAL AIDS TO THE DETECTIONS OF ERRORS. The following aids will often give the accountant a "hunch" as to where the error is, in case he has kept the account books carefully.

(1) Where the difference between the credit column and debit column is 1c, 10c, $1.00, etc., the error is almost certain to be in an addition either in the Trial Balance, or in some account represented in the Trial Balance.

(2) Where the difference is an even number, the error may be due to some debit entry being posted on the credit side of an account, or vice versa.

(3) Where the difference is divisible by nine, the error is probably due to a transposition or a slide in posting some entry. E. g., an expense bill might have been credited to the Cash Account as $12.00, its true value, but in debiting the Expense Account it is posted as $21.00. Here the difference ($21-$12) is divisible by 9, and is due to a transposition of the 1 and 2 in debiting the Expense Account.

(4) Where the difference is divisible by 99, the error is probably due to a double slide in posting one entry. E. g., $44.55 ÷ 9 = 495 ÷ 11 = 45. In this case look for 45c posted for $45.00, and vice versa.

(5) Where the difference is 9c, 12c may have been posted as 21c; 23c as 32c; 34c as 43c; 45c as 54c; 67c as 76c; 78c as 87c; 89c as 98c, or vice versa. If 90, $1.20 as $2.10, or vice versa, and so on. If $9.00, $12.00 as $21.00, or vice versa, and so on.

Where the difference is 18c, 13c may have been posted as 31c; 24c as 42c; 35c as 53c; 46c as 64c; 57c as 75c; 68c as 86c; 79c as 97c; or vice verse. If $1.80, $1.30 as $3.10, or vice versa, and so on. If $18.00, $13.00 as $31.00, or vice versa, and so on.

Where the difference is 27c, 14c may have been posted as 41c; 25c as 52c; 36c as 63c; 47c as 74c; 58c as 85c; 69c as 96c, or vice versa. If $2.70, $1.40 as $4.10, or vice versa, and so on. If $27.00, $14.00 as $41.00, or vice versa, and so on.

Where the difference is 36c, 15c may have been posted as 51c; 26c as 62c; 37c as 73c; 48c as 84c; 59c as 95c, or vice versa. If $3.60, $1.50 as $5.10, or vice versa, and so on. If $36.00, $15.00 as $51.00, or vice versa, and so on.

Where the difference is 45c, 16c may have been posted as 61c; 27c as 72c; 38c as 83c; 49c as 94c, or vice versa. If $4.50, $1.60 as $6.10, or vice versa, and so on. If $45.00, $16.00 as $61.00, or vice versa, and so on.

Where the difference is 54c, 17c as 71c; 28c as 82c; 39c as 93c, or vice versa. If $5.40, $1.70 as $7.10, or vice versa, and so on. If $54.00, $17.00 as $71.00, or vice versa, and so on.

Where the difference is 63c, 18c may have been posted as 81c; 19c as 91c, or vice versa. If $6.30, $1.80 as $8.10, or vice versa, and so on. If $63.00, $18.00 as $81.00, or vice versa, and so on.

Where the difference is 72c, 19c may have been posted as 91c, or vice versa. If $7.20, $1.90 as $9.10, or vice versa. If $72.00, $19.00 as $91.00, or vice versa.

It will be noticed that the above conditional differences are all multiples of 9.

It will also be observed that the transposition of two figures in any number will produce the same conditions as outlined above. Thus, $275.12 posted as $257.12 gives a difference of $18.00. Therefore, look for the units and tens digits to be transposed in some entry.

To apply any of the tests given in (3), (4), and (5) to every entry, for the tests do not indicate any specific entry, would be as laborious as the normal procedure outlined above. The conditional differences, however, would indicate as to whether the error in all probabilities were due to a slide or transposition and also in what digits the error took place, so that the bookkeeper in checking the debit with the credit entries in the normal procedure would be on a special lookout for such transposition or slide, even though it gave him no immediate clue to the source of the error.

6. FINANCIAL STATEMENTS

261. In order to present a comprehensive and intelligent summary of a business, a financial statement is prepared at the end of each month, quarter, or year. It is sometimes designated as the monthly, quarterly, or annual statement. This statement consists of (1) the Trial Balance, (2) the Trading (or Merchandise) Account, (3) the Profit and Loss Account, and (4) the Balance Sheet.

262. THE TRIAL BALANCE. In Chapter III, par. 192, the Trial Balance is included in the proceedings of the exchange council under the caption of "Trial Balance, August 31, 1915." It will be noted that this Trial Balance is just the same as that shown on page 99 of the General Ledger from which it is copied. The taking of trial balances is thoroughly covered in Chapter 11, par. 103, and in section 5 of this chapter.

263. THE TRADING ACCOUNT. This account is included in the Financial Statement to show the gross profit of a business. It shows the merchandise on hand at the beginning of the month, the balances of the Purchase and Sales Accounts, the merchandise on hand at the end of the month, and the gross profit, all of which are essential to a general and intelligent conception of the conduct and success of a business. This account is sometimes carried under the caption of "Merchandise Account."

264. THE PROFIT AND LOSS ACCOUNT. This account is included in the Financial Statement to show the net

profit (or loss) of a business. To it are credited gross profit, revenues, discounts, etc., and to it are debited all expense balances, etc. The balance of this account represents the net profit (or loss) of the business for the period of the financial statement. See pars. 190 and 192.

265. THE BALANCE SHEET. This sheet is made from the Trial Balance and the preceding account, and in it are carried all accounts balanced but not closed, i. e., the accounts which represent the "assets" and "liabilities" of a business. Purchase, Sales, Expense and Revenue Accounts are balanced and closed at the taking of a Trial Balance, their balances being disposed of for good in the Trading and Profit and Loss Accounts. It will be noticed that all balances shown in the Trial Balance are also posted either to the Trading, Profit and Loss Account, or Balance Sheet, but no balance is posted to more than one of the latter. In other words all balances in the Trial Balance not posted to the Trading and Profit and Loss Accounts are posted to the Balance Sheet.

7. Proceedings of Exchange Councils

266. The proceedings of the exchange council for each monthly or other meeting of the council are recorded in the Council Book. They are signed by the senior officer of the council as president, and the junior member as recorder, and are sent to the commanding officer of the post for his approval. The forms of the proceedings of exchange councils differ in no material respect from those of any other military board of officers. The proceedings consist of the Financial Statement of the exchange for the month and all actions of the Exchange Council. The proceedings of the Exchange Council in the chapter on Model Set of Double Entry Accounting are shown in par. 192.

The Financial Statement in these proceedings, however, is for the initial period of the exchange, and does not show the preceding period and the increases and decreases in assets, liabilities, profits, etc. (See Par. 29, above). The following

Financial Statement is, therefore, included as a model* for subsequent periods.

	Jan. 31, 1917.		Dec. 31, 1917.		Increase	Decrease
	Debits	Credits	Debits	Credits		
TRIAL BALANCE:						
Capital Stock		4000 00		4000 00		
Reserve Fund		500 00		500 00		
Surplus Fund		1000 00		1000 00		
Accounts Payable		2208 00		2396 75		188 75
Total Sales less Returns:						
Dept. A		1652 62		1416 21	236 41	
" B		1523 21		1374 05	149 16	
" C		635 32		782 30		146 98
Coupons:						
Issued $1550.00						
Sales (Redeemed) 1410.10						
Outstanding		139 90		98 15	41 75	
Discounts		36 40		32 55	3 85	
Building and Fixtures	1500 00		1500 00			
Total Purchases less Returns:						
Dept. A	1210 12		1269 13			59 01
" B	1104 70		1328 65			223 95
" C	446 90		649 40			202 50
Mdse. on Hand per Inventory:						
Dept. A	850 10		762 00		88 10	
" B	1675 50		1510 20		165 30	
" C	1600 10		1538 00		62 10	
Cash:						
Total Receipts $3715.12						
" Expenditures 3686.55						
Cash on Hand	690 03		561 46		28 57	
Accounts Receivable	692 44		656 87		35 57	
Bills Receivable (E. M.)	1785 00		1500 00		285 00	
" " (Notes)	55 00		150 00			95 00
Insurance Unexpired	23 00		24 00			1 00
Operating Expense	135 41		131 73		3 68	
Building and Fixtures Expense	27 25		18 57		8 68	
	11695 45	11695 45	11600 01	11600 01		
TRADING ACCOUNT, DEPT. A:						
Mdse. on Hand per Inv. (x/1)	850 10		762 00		88 00	
Total Purchases less Returns	1210 12		1269 13			59 01
" Sales " "		1652 62		1416 21	236 41	
Mdse. on Hand per Inv. (x/31)		683 00		850 10		167 10
Gross Profit	275 40		235 18		40 22	
	2335 62	2335 62	2266 31	2266 31		
TRADING ACCOUNT, DEPT. B:						
Mdse. on Hand per Inv. (x/1)	1675 50		1510 20		165 30	
Total Purchases less Returns	1104 70		1328 65			223 95
" Sales " "		1523 21		1374 05	149 16	
Mdse. on Hand per Inv. (x/31)		1502 52		1675 50		172 98
Gross Profit	245 53		210 70		34 83	
	3025 73	3025 73	3049 55	3049 55		
TRADING ACCOUNT, DEPT. C:						
Mdse. on Hand per Inv. (x/1)	1600 10		1538 00		62 10	
Total Purchases less Returns	446 90		649 40			202 50
" Sales " "		635 32		782 30		146 98
Mdse. on Hand per Inv. (x/31)		1570 78		1600 10		29 32
Gross Profit	159 10		195 00			35 90
	2206 10	2206 10	2382 40	2382 40		

*This statement shows the total only of cash receipts and expenditures. A true copy of the Cash Book for the month must also be included in the proceedings to comply with Par. 5, P. E. R.

	Jan. 31, 1917.		Dec. 31, 1916.		Increase	Decrease
	Debits	Credits	Debits	Credits		
PROFIT AND LOSS:						
Gross Profit, Dept. A		275 40		235 18	40 22	
" " " B		245 53		210 70	34 83	
" " " C		159 10		195 00		35 90
Discounts		36 40		32 55	3 85	
Operating Expense	135 41		131 73		3 68	
Building and Fixtures Expense	27 25		18 57		8 68	
Net Profit	553 77		523 13		30 64	
	716 43	716 43	673 43	673 43		
BALANCE SHEET:						
Liabilities:						
Capital Stock		4000 00		4000 00		
Reserve Fund		500 00		500 00		
Surplus Fund		1000 00		1000 00		
Net Profit		553 77		523 13		
Present Worth of Exchange		6053 77		6023 13	30 64	
Accounts Payable		2208 00		2396 75		188 75
Coupons Outstanding		139 90		98 15	41 75	
Assets:						
Building and Fixtures	1500 00		1500 00			
Mdse. on Hand per Inv. (x/31						
Dept. A	683 00		850 10			167 10
" B	1502 52		1675 50			173 98
" C	1570 78		1600 10			29 32
Cash on Hand	590 03		561 46		28 57	
Accounts Receivable	692 54		656 87		35 57	
Bills Receivable (E. M.)	1785 00		1500 00		285 00	
" " (Notes)	55 00		150 00			95 00
Insurance Unexpired	23 00		24 00			1 00
	8401 67	8401 67	8518 03	8518 03		116 36

	January, 1917.	December, 1916.	Increase	Decrease
TURNOVERS:				
Number:				
Dept. A	1.62	1.55		
" B	.76	.77		
" C	.30	.31		
Average length:				
Dept. A	18 days	19 days		
" B	1 mo. 10 "	1 mo. 10 "		
" C	3 mos. 10 "	3 mos. 10 "		
PERCENTAGES:				
Gross Profits on Capital:				
Dept. A	4.55%	3.90%	.65%	
" B	4.05%	3.50%	.55%	
" C	2.63%	3.24%		.61%
Net Profit on Capital	9.15%	8.70%	.45%	

8. Auditing Accounts

267. An audit is an official examination of accounts to determine their accuracy and genuineness. It is at once apparent that one who has no or very little knowledge of accounts cannot audit them. All line officers as organization commanders, sooner or later, are members of post exchange councils, and as such are often required to audit the accounts of the post exchange. Too often they must sign the accounts as audited when they have made no intelligent examination of them, merely because they haven't sufficient knowledge of accounting. It has been the aim in this book to present the whole subject of accounting in a clear and comprehensive way so that officers can without previous experience and study gain sufficient knowledge of accounting to enable them to properly audit accounts of post exchanges. The post exchange regulations (pars. 316 and 320, A. R., 1913); (also see C26516, April 14, 1910; C20869, J. A. G., Jan. 11, 1907, par. 672; 40-100, J. A. G., Feb. 24, 1915, par. 673) hold the members of the post exchange council and the exchange officer responsible for losses which by proper attention and management can be detected and prevented. The exchange council has the right to expect that the officer or committee detailed to audit the accounts of the post exchange make an intelligent and thorough audit of them, which, of course, cannot be done without a knowledge of accounting.

A complete audit of every entry and balance each month is not practicable, but by examining certain entries and balances, selected at random but well distributed, the probabilities of detecting fraud are so great that when such audits are regularly conducted, manipulation of accounts by employees will seldom be attempted. In a complete audit of the accounts, however, all entries and balances are examined.

268. SYSTEMATIC AUDIT OF ACCOUNTS.* (1) Count cash on hand and verify cash in bank; compare with balance shown in cash account. To verify cash in bank, get a balance statement from the bank signed by its cashier. In case any checks are outstanding they will have to be deducted from the balance shown by the bank's statement. Where checks are used that have the name of the exchange printed on them, which should always be the case, all checks drawn will have to be taken from the regular check book and the stub will show the amount of the same.

Take an inventory and inspection of coupon books on hand (unissued). The value of coupons on hand at previous inventory plus the value of new coupon books received, minus the total coupon issue since equals the value of coupon books unissued.

(2) Inventory merchandise in storeroom and sales department, keeping the two inventories separate. The combined inventories, however, will represent the "merchandise on hand" with which to debit the Merchandise on Hand Account. Compare amounts of five or more articles as shown on inventory of storeroom with the amounts shown on their individual stock accounts. Compare value of merchandise in each sales department as shown by its inventory with the value shown in its Sales Department Stock Account.

(3) Take steward's daily sales report for any five days and check them with sales as recorded in the Sales Book, and with sales as credited to the Sales Department Stock Accounts, on the same days. Also check the cash sales for these days with cash receipts from sales as recorded in the Cash Book on these days.

(4) Take any five invoices of merchandise bought, and check their sums as entered in the Purchase Book. Also, check their items with their entries in the Individual Stock Accounts.

(5) Take any five entries in the Purchase Book and check with the invoices which they represent.

(6) Take any five entries in the Purchase Book and check with their corresponding credit entries in Accounts Payable.

*See Par. 54.

(7) Take any five credit entries in Accounts Payable and check with their corresponding entries in the Purchase Book.

(8) Determine the sums of any five customers' accounts from their sales credit slips and check with amounts charged against them both on statements rendered and as debit entries to Accounts Receivable.

(9) Take any five entries in Building and Fixtures Account and check with inventory of buildings and fixtures. Take any five articles in inventory of buildings and fixtures and check with entries in the Building and Fixtures Account representing those articles.

(10) Take the totals of coupons issued during the month to each member of the exchange and check with their corresponding credit entries in Bills Payable.

(11) Take the coupon notes of three men in each company and check with total amounts marked in blue on the top note of each man.

(12) Check any ten entries of cash expenditures with their corresponding debit entries in other accounts. Similarly, check any ten entries of cash receipts with their corresponding credit entries in other accounts. Call at random for the vouchers of ten expenditures to see if such expenditures are covered with vouchers, and, if so, examine them to see they are proper and sufficient as vouchers.

(13) Balance any five accounts and one controlling account.

(14) Compare the balances of any five accounts with the balances shown in the Trial Balance.

(15) Add both sides of the Trial Balance, using adding machine if practicable.

In checking an entry always investigate the genuineness of the transaction which it represents.

The audit, as outlined above, is based on the theory of probabilities, and, if it is desired to increase the probabilities of detection of errors and manipulations in accounts, the number of entries and accounts examined may be doubled, trebled, and so on to a complete audit of all the entries and accounts.

The audit outlined above, however, will be sufficient for the monthly audit of post exchange accounts.

The following are some of the more common methods of manipulating accounts to cover frauds and defalcations for which the auditor should especially be on his guard.

(1) Converting moneys to private use received from customers in payment of their bills by crediting the proper Accounts Receivable, but debiting some account other than the Cash Account with the same.

(2) Grafting on payments from customers by crediting a part of an account receivable as merchandise returned.

(3) Grafting on cash expenditures by crediting the Cash Account with larger payments than actually made for insurance, taxes, and other expenses.

(4) Crediting the Cash Account twice for an account payable paid only once.

(5) Using the cash on hand from day to day for personal use.

(6) Forgery of vouchers.

(7) Including for inventory merchandise not yet debited to the Purchase Account.

(8) Check covering credit entry to Cash Account made out payable to some one other than the party that is debited with the same.

9. Distribution of Profits and Dividends

269. Although the post exchange regulations are quite specific and clear in prescribing how the profits and dividends shall be distributed, it is perhaps seldom that the provisions therein are exactly complied with. See par. 41.

The distribution shown below is based on the following data:

The membership of and shares of each member of the Post Exchange, Fort Reynolds, are as follows:

Headquarters Co., 40th Infantry	58	shares
Machine Gun Co.	29	"
Sanitary Detachment	16	"
Company A, 40th Infantry	65	"
Company B, 40th Infantry	65	"

Company C, 40th Infantry	65	shares
Company D, 40th Infantry	65	"
Troop A, 20th Cavalry	70	"
Total number of shares	433	

Each share is $5.00.

The net profit for the month is $500.00.

The coupon sales for the month are $2,000.00.

The cash and credit sales for the month are $1,750.00.

The following standing distributions of profits have been provided for:

(1) Under the provisions of par. 41(a) five percentum of the net profits to regimental funds.

(2) Under the provisions of par. 41(b) five percentum of net profits to recreation and amusement of enlisted men as therein prescribed.

(3) Under the provisions of par. 41(c) five percentum of the net profits to benefit of entire garrison as therein prescribed.

(4) To Surplus Fund until the same shall have reached $1,000.00, ten percentum of the net profits. (It is assumed that the present monthly credit to this fund will not increase it to the $1,000.00.)

(5) To Sinking Fund for purchase of additional buildings and fixtures, two percentum of the net profits. (It is assumed that the reserve fund required by regulations, par. 41, has already been established.)

(6) The balance of the net profits to be distributed as dividends to the several members of the exchange.

270. DISTRIBUTION OF NET PROFIT:

(1) To Regimental Funds: 5% of $500.00 = $25.00. The proportion of this to each share will be ($25.00 ÷ 433) $.05771, and to the several members as follows:

Hdqrs. Co.	$.05771	× 58	=	$3.35
M. G. Co.	"	× 29	=	1.68
San. Det.	"	× 16	=	.93

Co. A	"	× 65 =	3.75
Co. B	"	× 65 =	3.75
Co. C	"	× 65 =	3.75
Co. D	"	× 65 =	3.75
Troop A	"	× 70 =	4.04

Of this $25.00 of the net profit, $4.04 will be paid direct to the Regimental Fund, 20th Cavalry, and $20.96 direct to the Regimental Fund, 40th Infantry.

(2) To recreation and amusement of enlisted men under the provisions of par. 40(b) 5% of $500.00 = $25.00. This amount will be credited to the Recreation and Amusement Fund. When expenditures are made from this fund, this account is debited and the Cash Account credited with the same.

(3) To benefit of entire garrison under the provisions of par. 40(b): 5% of $500.00 = $25.00. This amount will be credited to the Benefit of the Entire Garrison Fund Account. When expenditures are made from this fund, this account is debited and the Cash Account credited with the same.

(4) To Surplus Fund: 10% of $500.00 = $50.00. This amount will be credited to the Surplus Fund Account.

(5) To Sinking Fund for purchase of additional buildings and fixtures: 2% of $500.00 = $10.00. This amount will be credited to the Sinking Fund. When expenditures are made from this fund, this account is debited and the Cash Account credited with the same.

(6) Under the provisions of par. 41(d) the balance of the net profit is declared as dividends. This dividend can be distributed to the several members of the exchange, either entirely according to the number of shares, or as follows: the dividends to be divided into two portions proportional to the cash and coupon sales; the former distributed according to the number of shares held by each; and the latter according to the coupon issue to each member. For obvious reasons it is believed that the latter is more equitable and the better.

The amount available for dividends is found as follows:

Total Net Profit		$500.00
To Regimental Funds	$25.00	

To Recreation and Amusement .	$25.00	
To Benefit Entire Garrison	25.00	
To Surplus Fund	50.00	
To Sinking Fund	10.00	$135.00
Available for dividends		$365.00

271. FIRST METHOD OF DISTRIBUTION. If the dividends are distributed according to the number of shares held by each, the distribution per share will be ($365.00 ÷ 433) $.84295. The distribution to the several members will be as follows:

Hdqrs. Co.	$.84295	× 58	=	$48.89
M. G. Co.	"	× 29	=	24.45
San. Det.	"	× 16	=	13.49
Co. A	"	× 65	=	54.79
Co. B	"	× 65	=	54.79
Co. C	"	× 65	=	54.79
Co. D	"	× 65	=	54.79
Troop A	"	× 70	=	59.01
Total Dividend				$365.00

272. SECOND METHOD OF DISTRIBUTION. The proportions of distribution according to cash and coupon sales in this case where the cash sales are $1,750.00 and the coupon sales are $2,000.00, are found as follows: x : $365.00 :: $1,750.00 : ($2,000.00 + $1,750.00), where x equals the proportion to be distributed according to the cash (and credit) sales. x = $170.33. $365.00 — $170.33 = $194.67, the amount to be distributed according to coupon sales.

Of the $170.33, the distribution per share will be (170.33 ÷ 433) $.3934. The distribution to members will be:

Hdqrs. Co.	$.3934	× 58	=	$22.81
M. G. Co.	"	× 29	=	11.41
San. Det.	"	× 16	=	6.29
Co. A	"	× 65	=	25.57
Co. B	"	× 65	=	25.57

Co. C	"	× 65 =	25.57
Co. D	"	× 65 =	25.57
Troop A	"	× 70 =	27.54
			$170.33

Of the $194.67 portion of dividend based on coupon issue, the distribution per dollar of coupon issue is ($194.67 ÷ $2,000.00) $.09733. It will be noticed that the dividend is proportioned according to "coupon sales" and "cash (and credit)" sales, but that the proportion based on "coupon sales" must be distributed to the several members according to their "coupon issues." This is necessary for no record of coupon sales by companies is kept. The two, however, are always very nearly the same.

If we assume the coupon issue to the several companies to have been as shown in column three below, the distribution per member based on coupon issue, will be as follows:

Hdqrs. Co.	$.09733	×	$272.00 =	$26.48
M. G. Co.	"	×	190.00 =	18.49
San. Det.	"	×	75.00 =	7.30
Co. A	"	×	295.00 =	28.71
Co. B	"	×	273.00 =	26.57
Co. C	"	×	285.00 =	27.74
Co. D	"	×	300.00 =	29.20
Troop A	"	×	310.00 =	30.18
			$2000.00	$194.67

The total distribution of dividends will be as follows:

Hdqrs. Co.	$22.81	+	$26.48 =	$49.29
M. G. Co.	11.41	+	18.49 =	29.90
San. Det.	6.29	+	7.30 =	13.59
Co. A	25.57	+	28.71 =	54.28
Co. B	25.57	+	26.57 =	52.14
Co. C	25.57	+	27.74 =	53.31
Co. D	25.57	+	29.20 =	54.77
Troop A	27.54	+	30.18 =	57.72
Total dividends	$170.33	+	$194.67 =	$365.00

In practice the coupon sales are nearly equal to the cash and credit sales—much more so than is shown by the above arbitrary proportion, and in such cases it is often customary to provide that 50% of the net profits available for dividends be distributed according to the number of shares, and 50% according to the coupon issue.

273. ACCOUNTING DISPOSITION OF DIVIDENDS. In either method outlined above, the dividends are usually paid at once to the members. In such cases the Dividend Account is debited with the same and the Cash Account credited. Should a company be indebted to the Post Exchange for capital stock, or other bills, its proper account is credited with the dividend, the Dividend Account being debited the same as in the foregoing cases.

10. DEPRECIATIONS IN BUILDINGS AND FIXTURES

274. The necessity of providing funds (1) to offset depreciations in the value of buildings and fixtures, so that such depreciations will not decrease the par value of the capital stock; and (2) to create a reserve out of which to purchase new buildings and fixtures, instead of purchasing them out of the working capital, was discussed in par. 81, which see. This depreciation for buildings amounts to from nil to 5%, and for furniture from 7½% to 10%. Most businesses, however, do not debit depreciations to the expense account, but debit the monthly or yearly depreciation directly to the Profit and Loss Account after having taken the Trial Balance.

The method of debiting depreciations to the Profit and Loss Account, assuming the Trial Balance in par. 188, and a depreciation of 10% in the value of buildings and fixtures, is as follows:

Profit and Loss Account

Gross Profit		$263.63
Discounts		9.00
Operating Expenses	$ 45.45	
Buildings and Fixtures Expenses	10.00	
Depreciation in Buildings and Fixtures	75.50	
Net Profit		141.68
	$272.63	$272.63

Balance Sheet

Capital Stock			$2,165.00
Accounts Payable			965.50
Coupons Outstanding			78.20
Net Profit			141.68
Buildings and Fixtures	$755.00		
10% Depreciation	75.50	$ 679.50	
Merchandise on Hand 8/31, '15		$ 293.71	
Cash on Hand		74.12	
Cash in Bank		900.00	
Accounts Receivable		348.05	
Bills Receivable (Enlisted Men)		880.00	
Bills Receivable (Notes)		175.00	
		$3,550.38	$3,550.38

11. BUYING AND SELLING

275. BUYING. Good judgment in buying is one of the prime requisities for the exchange officer and steward in a successful exchange. How often we see the shelves of an exchange loaded down with unsaleable merchandise. Such merchandise represents a large portion of the working capital tied up and therefore not being turned over to produce profits. To produce large profits the capital stock must be turned over often, and, to have the working capital available for turnover, it must be invested only in saleable goods.

A concrete example will show this. The exchange at Fort A buys $100.00 worth of an article for which the demand is very small. It takes one year to dispose of it. Assuming the profit on each article to be quite large, say 33⅓%, which led to such a large quantity of it being bought, the gross profit on it at the end of one year when it is all disposed of will be $33.33. In this supposition the probability of the merchandise deteriorating or entirely spoiling with age is not considered.

On the other hand, $100.00 is invested in an article that is a good seller, the amount bought being just sufficient to last one month, a like amount being ordered each month. The gross profit, however is but 15%, or $15.00. In this case $100.00 of the capital stock is turned over every month, giving each time a profit of $15.00, or a gross profit of $180.00 at the end of the year.

If it were practicable to handle only such articles as sold quickly and easily, the success of the exchange would be comparatively easy. An exchange, however, to fulfill its functions must handle many articles which are not such good sellers. In such cases, each of such articles should be bought in the smallest quantities possible from the wholesalers. They will perhaps cost somewhat more than they would if bought in larger quantities, but the increased profit per article when bought in large quantities is more than offset by having more of the capital stock tied up in them.

Good selling articles* should be bought in quantities not larger than that actually required in a turnover, i. e., to sell the articles and receive the payment for the same. This period for post exchanges is one month.

When the different articles of merchandise are bought in the quantities specified above, the working capital of the business is invested in the most efficient manner possible. And such an investment is the criterion of the proper amount of working capital that the exchange should have.

Only merchandise of good quality should be handled. As a rule merchandise of poor quality has no sale, but all articles of merchandise of good quality are not good sellers by any means. Many classes of merchandise of good quality are not in demand by the soldiers. So, too, where some good brand of merchandise has established its reputation with the trade, it is very difficult to sell new brands of the same article although equally good. To introduce new brands, wholesalers, therefore, sell them to retailers at lower prices than established brands, the greater apparent profit acting as a great incentive for the retailer to load his shelves with the same. Generally it is better

* Many articles, such as soft drinks, ice cream, candies, fruits, etc., can usually be ordered daily or weekly and the supply on hand thus kept fresh.

to handle only established brands, but often new brands are introduced which become good sellers sooner or later, often replacing old established brands. New brands, even when they seem very promising should always be bought in the smallest quantities possible until they establish themselves as good sellers. It often takes a long time for a new brand to establish itself, and if bought in large quantities too much of the working capital is unduly tied up. Often too, new brands that seemed most promising at first turn out to be complete failures, and in order to realize anything on them they must be sold at a bargain.

With all these self-evident facts many post exchange officers and stewards are often beguiled into violating them by the cleverness of salesmen—and all old salesmen are clever men. In such cases the salesman attains a temporary ascendency over the buyer, or at least a negative one in which the buyer does not stop to think of the ultimate results of his purchases according to his real knowledge of business.

Efficient buying is as essential to a successful business as efficient selling, and the efficient buyer must be just as clever as the efficient salesman. The buyer must have a complete knowledge of the merchandise which he buys and the prices at which different wholesale houses sell. For the latter purpose the exchange officer should keep a tabular list of articles of merchandise arranged in alphabetical order, with vertical columns opposite—one for each wholesale house—in which to enter the price at which it sells the same.

The buyer of the exchange should always receive the salesmen of all reputable wholesale houses, and in a courteous and business manner. He should keep as many salesmen on his "string" as possible. He should listen respectfully to the salesman's talk, but should be careful not to be led into violating business maxims for some apparent "bargain." If the salesman's prices on such articles as are needed are lower than those that are offered by other salesmen, he should be given the order for them. If they are not and the salesman is unduly infringing on the time of the exchange officer, the latter should unhesi-

tatingly bring the interview to a close for that time, which can be done by proper decision and tact. A salesman should not be told the price at which articles can be bought from other salesmen. That would enable the former to undersell by a very small margin, when it might be possible to buy from him for much less if he were in the dark to the other salesmen's prices. If salesmen are kept in the dark as to one another's prices, the buyer can handle them most successfully and get from them the very lowest prices at which they can possibly sell.

276. SELLING. The mere fact that the business is a post exchange and sells at lower prices than retail stores in the city, does not relieve the attendants from being courteous and accommodating to their patronage. To secure and hold the trade of any business these things are always necessary.

It should not be assumed that everybody in the post knows everything that is kept for sale at the post exchange. An alphabetical list of the articles of merchandise kept for sale should be printed and distributed over the post two or three times a year. Such advertising will secure for the exchange many sales to customers that otherwise would be made down town.

The proper display of goods should not be overlooked, for many extra sales are made when the display calls attention to the goods. The exchange officer and steward should make a continuous study of displays in retail stores down town.

Unsaleable merchandise should not be kept on the shelves. With the most judicious buying there will occasionally be a small purchase of some new brand or article that has failed to take with the trade. In such case, it should be placed out on the counter and sold as a bargain. Perhaps the cost price at least may be realized, and the capital invested in it will be no longer tied up. So too, when merchandise becomes shelf worn, or is likely to spoil and becomes worthless, if not immediately disposed of, it should also be sold as a bargain before it is too late to realize nearly its cost price; otherwise it will be a total loss.

To save mistakes and unpleasantness with customers all credit sales should be itemized on duplicating sales pads similar to those used in the Sales Commissary and the customers required to sign them. The copy is given to the customer, and the original is retained by the sales clerk, who turns it in to the exchange steward. The sales slips of each customer are kept separate, and at the end of the month a statement showing the total of each sale is made from them and rendered to the customer. When the customer pays his bill for the month, all his sales slips are turned over to him.

It is well to require customers who send messengers for merchandise which is to be charged to them, to send written orders for the same. In such cases the carbon copy of the sales slip should be wrapped with the merchandise. Where merchandise is delivered by the post exchange, it is also well to require the customers to sign the original sales slips at the time of deliveries.

12. Post Exchange Administration

277. A great deal upon the subject of post exchange administration has been included in the preceding sections of this chapter. This section will, therefore, be devoted more to the general supervision, etc., of the exchange.

New sales clerks should be fully instructed in the art of salesmanship; it should not be assumed that everybody knows how to sell—even in a small retail store. The exchange steward and old sales clerk should be able to give new men much valuable instruction as a result of their own experiences. Sales clerks should be taught to be courteous and accommodating as part of their salesmanship instruction.

While all the attendants of the post exchange are assumed to be good and honest men, this does not relieve the post exchange officer from maintaining a close supervision over the exchange and its attendants and having full knowledge of everything about it at all times in order to detect and prevent the possibility of any and all indifference and dishonesty on their part.

The exchange officer and steward should be business men, and the exchange officer should be relieved of all other military duties. An exchange officer who maintains the proper supervision over the exchange, does the buying, etc., will have no time for other duties. And where he is required to do other duties that take him from the exchange much of his time, it is not right to expect, and he cannot be held to such a strict accountability for the proper and successful administration of the exchange.

The organization of a post exchange should be adapted to the size of its business, or the size of the post. There should be no more attendants than are needed, but on the other hand, there should be sufficient attendants to properly conduct its business. In large exchanges care must be exercised not to develop a too complicated organization. There is a tendency for some men, to develop complex systems with which they fall in love, thinking more of their "system" than the success of the business. The accounting for the exchange should be systematic and simple, but extensive enough to maintain the proper accounting supervision of the business. Superfluous and complicated office methods and clumsy handling of business should be avoided.

The exchange, that maintains a superfluous and unnecessary lot of office and exchange attendants, will have no surplus for profits. The organization should be just sufficient to handle the trade and to keep the necessary records and accounts of the same.

13. RELIEF OF EXCHANGE OFFICER

278. Whenever an exchange officer is relieved and a new one appointed, the accounts of the exchange should be balanced and audited, and an inventory taken of the merchandise on hand, furniture, fixtures, etc. When the change takes place on the last day of the month, the regular monthly balance and audit and inventory will do.

279. TRANSFER OF POST EXCHANGE FUND. The old exchange officer should make a check equal to the cash in bank and payable to the Post Exchange. The new exchange

officer endorses the check as exchange officer and deposits it to the credit of the Post Exchange Fund. In the lower left hand corner of the check should be added: "*Transfer of Fund.*" A letter of notification should be written to the bank by the old exchange officer of the change of exchange officers, and the letter should contain the autograph of the new exchange officer. This autograph should be in the body of the letter so that the signature of the old exchange officer will attest it. The letter may be mailed by the old exchange officer, or given to the new exchange officer who should take it to the bank with the above described check.

This check to cover the balance in the bank relieves the new exchange officer of all probabilities of checks outstanding not being reported.

The old exchange officer must also write to the bank, in which the reserve fund is deposited, notifying it of the change of exchange officers, and including within the body of the letter the autograph of the new exchange officer.

The new exchange officer should count the cash on hand turned over to him and give the old exchange officer a personal receipt for the same.

"In transferring funds to the successor, the accountable officer will make the following certificate, including list of outstanding debts and obligations, in the council book. . . . :

"I certify that to the best of my knowledge and belief, the following is a complete and accurate statement of all outstanding debts and obligations to date payable from this fund. (C. A. R. No. 6, May 13, 1914.)"

See Par. 324, Army Regulations, 1913, paragraph 12, above.

280. INFORMATION OF THE EXCHANGE. The old exchange officer should turn over full and complete information in regard to the exchange to his successor. Methods employed in the office, in the sales departments, storeroom, in buying and selling, etc., should all be explained. If the new exchange officer be inexperienced in post exchanges, and especially so if he be inexperienced in business, he should appreciate all information and advice that the old exchange officer can undoubtedly give him.

14. COMPANY EXCHANGES

281. "When troops are absent from posts the commanding officer may, in his discretion, authorize the establishment of camp, regimental, battalion, company or detachment exchanges.

"Such exchanges will be conducted, as far as practicable, in conformity to these regulations." (Ext. Par. 25, above.)

Company exchanges will usually be authorized in temporary camps and stations where the probability of moving would not justify the establishment of a camp or regimental exchange. These exchanges will generally have only a small stock of tobacco, candies, and other necessities in the field not supplied by the government. Often they will be the only source from which such supplies can be obtained by the soldiers, and, in any case, will insure such supplies being obtained at reasonable prices.

282. BOOKKEEPING AND ACCOUNTING. Double entry bookkeeping for company exchanges in the field or in temporary camps is both impracticable and unnecessary. The following method of bookkeeping and accounting for company exchanges is suggested.

(1) *Accounts Payable.* A small ledger can be conveniently used in which to keep Accounts Payable; or, when the number of such accounts is only three or four, the last few pages in the Company Council Book can be conveniently ruled and used for them. At the end of the month, or other time, when the company council meets, a list of the Accounts Payable is included in the proceedings of the company council.

(2) *Charge and Cash Sales Sheet.* While a small ledger may be used for charge sales to men of the company, a much more simple method is to arrange the names of the men in tabular form, in the same order they appear on the pay roll. To the right of the names vertical money columns are provided for each day of the month, one for "Totals," one for amounts "Collected" and one for amounts "Uncollected." In addition to the names, one line is provided for "Cash Sales," and one for "Totals." Charge sales are entered on this sheet direct, no other records being kept. The total of charge sales to each

man during the month is shown in the "Totals" column to the right; the total of sales for each day is shown at the bottom. The sums of the two sets of totals should check.

The total cash sales for each day is entered on this sheet, no other record being kept.

This sheet is also used for collections on pay day. The amount paid by each man is entered in the "Collected" column, and any amount not paid is entered in the "Uncollected" column. The sum of these two columns should check with the sum of the "Totals" column.

Should there be any accounts not paid, an extra money column must be provided in the Charge and Sales Sheets for the ensuing month in which to carry them forward.

The total collected, including the total of cash sales for the month, is debited to the company council book, the Charge and Cash Sales Sheet being used as a voucher for the entry. The sheet contains the certificate of the company commander that the same is true and correct.

Payments for supplies, expenses, etc., are entered to the council book direct, the same as for any other expenditures made from the company fund.

CHAPTER VI

DIGEST OF OPINIONS OF THE JUDGE ADVOCATE-GENERAL OF THE ARMY ON OR IN RELATION TO POST EXCHANGES

I. GOVERNMENT AGENCIES AND INSTRUMENTALITIES IN GENERAL.

283. CREATION OF. Congress may establish such agencies or instrumentalities in connection with the military establishment as it may deem necessary to the efficiency or comfort of the troops or desirable for their welfare. A similar right to establish Government agencies and instrumentalities and to prescribe suitable regulations for their government and administration has been resorted to by the Secretary of War whenever the necessities of the military establishment have warranted such exercise of executive power, and his action in establishing them and prescribing rules for their government and control has been recognized by Congress in making appropriations for their support and has been recognized by the courts and by other executive departments of the Government. The practice of establishing such Government agencies and instrumentalities has existed for more than a century. *Held*, therefore, that it is within the authority of the Secretary of War to authorize the establishment of a laundry at a military post and to prescribe regulations for its administration and control. *C, 18224, Sept. 8, 1906.*

284. STOPPAGES OF PAY TO REIMBURSE POST EXCHANGES. When the post exchange (then called canteen) was of a private character, it was held that stoppages of pay could not be made to reimburse losses of canteen funds; and at that time the Treasury Department also held that canteens were taxable by the Government. Subsequently (in 1897) the Treasury Department held that post exchanges as then organized under the orders of the War Department were Government instrumentalities or agencies and were therefore

not taxable under the internal revenue laws. Now the funds of the post exchange are moneys used in carrying on this public agency, and the Government has a right to protect its instrumentalities—the establishments through which it carries on public business. *Held*, therefore, that stoppages against the pay of officers and enlisted men, whether on the active or retired list, may legally be made to reimburse the post exchange fund on account of losses for which such officers and enlisted men are responsible, and in case of a deceased officer or soldier the amount due the post exchange may be deducted from the pay and allowances due the estate of the deceased. *C, 3171, June 7, 1897; 7186, Oct. 19, 1899; 12195, Mar. 12, 1902; 13104, Aug. 14, 1902; 15714; Jan. 18, 1904; 19112, Jan. 2, 1907; 26161, Apr. 3, 1911.* As the pay of an officer or soldier or employee may be stopped to pay an indebtedness due the United States, it may with equal legality and propriety be stopped to pay an indebtedness due to a Government agency or instrumentality which has been established by proper legislative or executive authority. *C. 18224, Sept. 8, 1906.*

285. COURT MARTIAL SENTENCE OF FORFEITURE OF PAY TO SATISFY INDEBTEDNESS TO POST EXCHANGE. A retired sergeant major, United States Army, had been tried by court-martial for the larceny of certain funds belonging to the post exchange at the post where he was serving while he was exchange steward. He was sentenced to forfeit $50 per month of his pay for the period of one year, and thereafter to suffer a stoppage of a like amount per month to reimburse the post exchange until the sum of $875 should be paid to said post exchange, that sum being the amount of his indebtedness on account of said larcenies.

Section 4818, Revised Statutes, provided:

"For the support of the Soldiers' Home the following funds are set apart, and hereby appropriated: All stoppages or fines adjudged against soldiers by sentences of courts-martial, over and above any amount that may be due for the reimbursement of Government or of individuals; . . . . ."

Held, that the stoppage of pay to reimburse the Government or a Government agency on account of losses for which officers and enlisted men are responsible, is purely an administrative matter with which courts-martial have nothing to do; that such part of sentence as directed a stoppage of pay to reimburse the post exchange was unauthorized, and should be disregarded; and that the sentence should stand as though it read only for the forfeiture of $50 per month for a period of one year. *Held further*, that a post exchange is an agency or instrumentality of the Government, and comes within the class of individuals mentioned in section 4818, Revised Statutes; that there was no pay against which the forfeiture could run until the indebtedness to the post exchange had been satisfied; and that when so satisfied the forfeiture or fine would begin to run against the soldier's pay and continue for the time specified, the amount as collected being appropriated to the Soldiers' Home. *Comp. Geo. E. Downey, June 11, 1914.*

286. LIABILITY OF SOLDIER'S DEPOSITS FOR INDEBTEDNESS TO . . . . . POST EXCHANGE. A soldier who was discharged for fraudulent enlistment owed $1.50 to a quartermaster laundry and $3 to a post exchange, and the question was submitted whether these debts were properly chargeable against pay and clothing credits and, if not, whether they were a proper charge against a deposit of $10 made by the soldier as shown by his deposit book.

Held, that the repudiation of the soldier's contract for fraud placed him in the position of having legally earned no pay or allowances, and having earned none there were none unpaid with which to pay his indebtedness to the laundry and post exchange, except that the laundry service having been performed by the government at public expense should be regarded as an advance of pay and the appropriation for the laundry should be reimbursed from the appropriation for the pay of the Army.

Held further, that the post exchange could not be reimbursed under the same principle nor could such indebtedness be satisfied from the soldier's deposits for the following reasons, viz:

Section 1305, Revised Statutes, as amended (34 Stat. 246) declares that soldiers' deposits shall be exempt from liability for their debts. This exemption has been held not to apply to any indebtedness to the United States (16 Comp. Dec. 566), but an indebtedness to a post exchange is not an indebtedness to the United States and the Government assumes no liability therefor further than to use a part of the soldier's pay, if there be any, to protect the exchange. Therefore, the inhibition in section 1305, R. S., that deposits shall be exempt from liability from the soldier's debts applies to any indebtedness which is not an indebtedness to the United States, and as a post exchange, in the purview of this statute, is on the same footing as an individual, the soldier's deposits and interest were payable to him without diminution on account of such indebtedness. *(Comp. W. W. Warwick, April 20, 1916.)*

Note: Par. 1368 A. R. will be amended so as to conform with the above ruling.

287. DEBT DUE GOVERNMENT AGENCY COLLECTED AT PAY TABLE. The pay of an enlisted man which has been turned over to his company commander at the payment of the company because the soldier was absent from the pay table continues to be Government funds until it reaches the hands of the soldier unless some act of the soldier, such, for instance, as a request to the company commander in respect to the disposition of the whole or a part of his pay, operates as a technical reduction to possession. In the event of such an act such portion as the soldier should request the company commander to pay to creditors would be regarded as having been reduced to possession and might be paid in accordance with the soldier's request, and if the soldier has deserted the balance should be treated as the effects of a deserter, provided the soldier's request was that the balance be held as a deposit subject to the soldier's orders. But where there is a well-established practice to collect at the pay table sums due to the post exchange, the company fund, and other Government instrumentalities, such collections being made at the instant of payment when the soldier is present to receive his pay, a corresponding deduction should be made at the same instant in a case where the

money due the soldier is handed to his company commander. Such a well-established custom may be regarded as a request by the soldier to pay the dues established by custom. Therefore *held*, that the total amount due a post exchange, a company fund, or other government instrumentality, and, according to the established custom payable to those instrumentalities on the receipt of pay from the paymaster, should be considered by reason of such custom as technically reduced to possession, and paid to the creditors in conformity to such custom, and the balance, not having been reduced to possession either actually or technically, should be considered as retaining the character of public funds and returned to the paymaster. *C. 12227, Feb. 12, 1907, and Oct. 12, 1909.*

288. CUSTODIAN'S OF POST EXCHANGE RESPONSIBILITY GREATER THAN THAT OF A GRATUITOUS BAILEE. Post exchange, company, hospital, bakery, etc., funds are quasi-public funds, i. e., funds used to carry on public agencies or instrumentalities of the Government, losses of which can be reimbursed from stoppages of pay of the officer or soldier responsible therefor. From this it follows that the liability of the responsible officer or soldier is not that of a bailee without compensation, but of an official charged with the custody of funds in a public capacity devolving an official duty and a material trust, in the discharge of which a greater degree of care is required than in the case of a gratuitous bailment. *C. 13597, Nov. 24, 1902; 13867, Jan. 2, 1903; 14575, May 1, 1903; 16065, Mar. 24, 1904; 25552, Sept. 11, 1909.* So where the officer in charge of a post exchange, in conveying the funds of the exchange from the post to a bank in town for deposit, placed them in a package inside of the breast of his blouse which was without pockets, and the package slipped down and was lost, *held*, that the officer had not used due care and should be charged with the amount of the loss. *P. 54, 41, June 7, 1892.* So where a post exchange officer placed in a sack a sum amounting to over $1600 for deposit in a bank at a distant point, and without properly sealing and stamping the sack, delivered it to an enlisted man,

who in turn delivered it to a private stage company, which was not prepared to properly guard and protect a package of such value, and the stage line delivered it to the Wells-Fargo Express Co., which latter company delivered the package to the bank, where it was found that there was a hole in the sack and original sum was short by over $500, *held* that the exchange officer was guilty of carelessness and should be held for the loss. *C. 19112, Feb. 2, 1906.* Where an officer stationed in the island of Mindanao kept his company fund in a wooden box made of one inch lumber bound with iron, the box being securely bolted to the house and locked with a Yale lock, and it appeared that other officers had kept their private funds in the box, *held,* that the fact that the officer could have used the safe of the post quartermaster in which to deposit his company fund, but did not do so because the deposit of the funds in that place would subject him to more or less delay in handling the funds, did not necessarily constitute evidence of proper lack of care. *C. 20003, Oct. 2, 1906.* Where a company commander placed over $600 of his company fund and over $450 of his private funds in a steel box of ⅛ inch steel plates, which was placed in his quarters at Camp Bumpus, Leyte, P. I., and fastened to the floor by screws from the inside of the box so that they could be reached only after the box had been opened, and during the absence of the officer from his quarters about 6 p. m. the box was broken into by means of a hatchet and the contents stolen, *held,* that the officer should not be held responsible for the loss of the funds. *C. 25552, Sept. 11, 1909.* A company was to leave the next day for another station and a bill for company supplies was to be paid, and an apparently entirely reliable noncommissioned officer whose duties as acting quartermaster sergeant naturally pointed him out for the work was given $50 by the company commander to pay a creditor, and the noncommissioned officer disappeared with the money, and it appeared the noncommissioned officer at the time of his desertion had a deposit of $50, about $36 of pay due him, an undrawn clothing balance of several dollars, and the prospect of his discharge in four months with mileage from San Francisco to

New York, *held*, that as in the conduct of business it is absolutely necessary that certain persons be trusted, and there appeared to be every reason to trust the noncommissioned officer in the case, the officer was without negligence. *C. 16065, Mar. 24, 1904.* But where there was no urgent haste about the payment of the bill, and the sum of $115 was intrusted by the company commander to a sergeant to pay a bill against the company fund, and the sergeant disappeared with the money, and it appeared there was a month's pay due the sergeant, with mileage from San Francisco to Washington, and a probable small balance on his clothing account, the two latter items, however, not being due for about 18 months, *held*, that the facts were not sufficient to justify the release of the company commander from responsibility. *C. 18898, Dec. 8, 1905.* Where the officer in charge of a post exchange at a post adjoining the city, having in his hands for deposit in bank about $1,000 of post exchange funds, instead of personally attending to the deposit, sent in to the bank with the funds the post exchange steward, who appropriated to his own use a portion of the amount and did not return to the post till arrested by the civil authorities, *held*, that the officer had not taken the degree of care properly required of him, and was responsible for the amount lost. *P. 64138, Mar. 8, 1894; C. 13867, Jan. 2, 1903.* And where the company commander was sick in his quarters and the only other officer on duty with the company was the officer of the day, and it was necessary to obtain change for use on pay day, and the company commander intrusted to his first sergeant a check for $75, with which to obtain change at a town 7 miles away, and the first sergeant disappeared with the money, *held* that as in the conduct of all business operations, there must be necessarily a certain degree of trust shown in handling of funds, and the company commander had no reason to be on his guard against the theft or desertion of the first sergeant, he should not be held responsible for the loss of the company fund. *C. 29057, Oct. 3, 1911.* The "bakery fund" is a government instrumentality. Not being public money the officer in charge may be relieved by competent authority from

responsibility for a loss. Therefore, where a medical officer detailed as post treasurer places the bakery fund, with the consent of the senior medical officer of the post, for safe keeping in the safe provided by the government at the hospital for the use of the medical officer in charge, and in which were kept the hospital fund and other valuables, the combination being known only to the senior medical officer and the post treasurer and the surgeon general's office, and while the door of the safe had been carelessly left open by the senior medical officer the bakery fund was stolen, *held*, that the post treasurer was not required to keep the bakery fund in a bank and that the placing of it in the safe was, under the circumstances of the case, a proper care of the fund. *Held further*, that the fact that the post treasurer had replaced the bakery fund from his private fund immediately after the loss occurred, did not prevent him from subsequently requesting relief. *C. 15609, Dec. 15, 1903.* The officer in charge of athletics and amusements at a post, for his own convenience, sent a private who was his assistant to the post exchange to cash a voucher for $18.50. The soldier cashed the voucher and deserted with the money. *Held*, that as between the officer and the post exchange the loss should be borne by the officer. *C. 28866, Aug. 25, 1911.* A post exchange was entered and robbed of a sum of money, consisting in part of that day's receipts and in part of a small and reasonable sum left by the officer in charge with the exchange steward, to make change. Under paragraph 337,* Army Regulations, 1910, (par. 4, G. O. 46, A. G. O., 1895), the officer in charge is not responsible for the day's receipts till turned over to him by the steward on the following morning. *Held*, in the absence of any evidence of negligence or want of precaution on his part, that the officer was not legally liable for the amount of the loss. *P. 58, 437, Mar. 28, 1893.*

The field safe at a post exchange was robbed at night, resulting in the loss of $127.64 in cash belonging to the exchange. The post exchange officer did not take personal charge of the cash accruing from the preceding day's business, but left it with

*Rescinded.

the exchange steward, who locked it in the field safe "according to custom," to be turned over to the post exchange officer the next morning.

The post exchange regulations (Par. 3, G. O., No. 176, War Dept., 1909) provide that:

"The exchange officer is in charge of the exchange and is responsible for its management. * * * As custodian of funds belonging to enlisted men he should attend to all cash transactions in person"—

and this regulation has been viewed by the War Department as requiring that the post exchange officer "*should at the close of each day's business* check up the steward's daily report of cash and coupons received, and after verification enter these data in the cash book, as well as all other transactions involving cash receipts and expenditures, *and deposit the cash on hand in his safe.*" (Par. 1075, "A Guide for Inspectors General, 1911.")

Held, that by reason of his failure to take personal charge of the funds at the end of the day's business and properly secure them, the post exchange officer became responsible for the loss. (72-517, J. A. G., May 25, 1916.)

289. RESPONSIBILITY FOR MONEY COLLECTED AT PAY TABLE AND DUE TO AN EXCHANGE. Where a company had been temporarily stationed near a post which maintained an exchange and the men of the company had been allowed credit thereat, but had left the neighborhood before pay day and subsequently paid the amount of their exchange indebtedness to the company commander. *Held*, that the post exchange must look to the company commander for the money due it, and that the fact that he did not pay it over could not serve to render the enlisted men liable for a second payment. The confidence of enlisted men in their superior officers should not be shaken by even the suggestion that where they have in good faith reposed confidence in such superior officer they should be told that they did so at their peril. *C. 29656, Apr. 30, 1912.*

290. POST NOT UNDER COMMAND OF DEPARTMENT COMMANDER. Paragraph 318, Army Regulations

of 1908 (321 of 1913) provided that: "In case of loss of regimental, bakery, exchange, company, or mess funds, the circumstances will be carefully investigated and reported by the post council, with recommendation as to responsibility, for the decision of the department commander." Where the loss occurred in a post exchange on Alcatraz Island, *held*, that as the post on that island is not within the command of the department commander, the report should be forwarded by the post commander to The Adjutant General of the Army. *C. 24380, Feb. 6, 1909.*

291. DECISION OF THE DEPARTMENT COMMANDER: NO APPEAL. Paragraph 317 Army Regulations, 1904 (321 of 1913), in relation to the loss of regimental, exchange, company, or mess funds does not provide for an appeal from the decision of the department commander, but where an officer has been held responsible for the loss of funds and does not replace the funds of his own motion, the question of stoppage of his pay arises and the Secretary of War, before ordering a stoppage of his pay under section 1766, R. S., as amended by the act of July 16, 1892 (27 Stat. 177), may reexamine the case to determine whether the officer should be held responsible. *C. 20003, July 5, 1906.*

292. REIMBURSEMENT OF FUND FOR INDEBTEDNESS. An officer at the time of his death was accountable for $360 company fund. A board of survey reported that he had left in lieu of the money an unindorsed Government check for that amount, payable to his order and purporting to be for pay due him. It thus appeared that the officer owed the company fund $360, and that the Government owed him the same amount for salary, the check not having been presented and paid. *Advised*, therefore, that as an officer's pay may legally be stopped to reimburse the company fund, $360 be stopped against the pay due the deceased officer, and that the check referred to be returned to the drawer to be cancelled. *C. 7957, Apr. 7, 1900.*

293. GOVERNMENT AGENCY MAY SELL SUPPLIES TO AND RENDER SERVICE FOR THE GOVERNMENT. Paragraph 593, Army Regulations, 1904, (521 of 1913), provide that officers or agents in the military service will not purchase supplies for the Government from any other person in the military service, nor contract with any such person to furnish supplies or service to the Government, nor make any Government purchase or contract in which such persons shall be admitted to share or receive benefit. *Held*, that the prohibition of the paragraph is directed at *persons* in the military service, and as the post exchange is not a *person*, but a form of Government *agency*, the paragraph does not apply to a post exchange. *Held further*, that it would not be unlawful for an exchange to repair a typewriter for the Signal Department, charging therefor a reasonable compensation. *C. 17927, June 15, 1905.* Also *held*, that a post exchange laundry could do laundry work for the Government. *C. 18156, Oct. 31, 1905.*

294 POST EXCHANGE CONTRACTING WITH THE GOVERNMENT TO FURNISH ELECTRIC LIGHT. The post exchange at a certain military post operated for its own use a small electric plant and furnished light to several buildings. It was desired to know whether the exchange could be paid for light furnished to officers pursuant to regulations.

Held, that there was no reason why a post exchange might not enter into a contract with the Government for furnishing electric current for lighting the authorized allowance of quarters for officers on duty at the post. *40-041, J. A. G., June 19, 1913.*

295. DISPOSITION OF FUNDS OF GOVERNMENT AGENCY WHERE AGENCY CEASES TO EXIST. A company of a volunteer regiment operated an exchange. After the muster out of the company a debtor paid to one of the officers of the company his indebtedness to the exchange. *Held*, that the profits from the post exchange are considered as belonging to the organization as such and not to the individual enlisted men composing the organization, and therefore as the

company is no longer in existence no attempt should be made to distribute the money among the former members of the company. However, as the profit arose from the savings of enlisted men, and there would be no legal objection to applying them to the company fund or funds of one or more companies as may be thought to best subserve the interests of the Government. *C. 11089, Aug. 29, 1901; 10917, Jan. 25, 1902.* So held where an exchange was operated by a large detachment of recruits who were ordered away, leaving a surplus in the hands of the exchange officer. *C. 13625, Nov. 12, 1902.* So where a volunteer regiment was mustered out, leaving in the possession of the colonel $145 belonging to the regimental fund, recommended that this sum be distributed among new infantry regiments being organized for use as a part of their regimental funds. *C. 13616, Nov. 12, 1902.*

Post exchanges are by their nature intended to be continuous in their operations, new organizations taking membership in the exchange as the old ones leave, but where an exchange was entirely closed out and a new one came into existence entirely distinct and separate from the old one, and upon closing out the affairs of the old exchange there was a balance of some $75 to be declared as dividends and it appeared that the new exchange had voluntarily assumed certain debts of the old exchange, the total being unknown, and it appeared that a period of four years had elapsed since the old exchange was closed out, *held,* that it would be proper to turn over to the new exchange the balance belonging to the old one. *C. 17463, Feb. 8, 1905.*

A debt from a deceased member of a hospital detachment which belonged to the post exchange was assigned to the surgeon in command of the detachment as a part of the detachment dividend. Subsequently, and before the debt could be collected from the estate of the deceased, the station was abandoned and the hospital detachment ceased to exist, the various members being sent to different stations. *Held,* that as hospital detachments do not constitute a permanent organization like companies a proper disposition to make of the debt

would be to turn it over to the chief surgeon of the department to be applied by him to a proper beneficiary. *C. 19321, Mar. 10, 1906.*

Upon the return of the Army of Cuban Pacification to the United States there remained unexpended the sum of $500 in a prison mess fund. This fund had accumulated from savings on the rations of military prisoners brought from all parts of the island of Cuba. *Recommended*, that this sum be distributed between the military prisons at Fort Jay and Fort Leavenworth. *C. 24686, Mar. 23, 1909.*

296. TAXATION OF GOVERNMENT AGENCY. A post exchange is not legally liable for local or municipal taxes or licenses, on the sale of commodities for the exclusive use of persons in the military service, as such exchange is an instrumentality of the Government of the United States. *C. 7324, Nov. 21, 1899.*

297. INTERNAL REVENUE TAX. By the Act of October 22, 1914, commonly known as the war revenue act, it was provided that:

"Dealers in tobacco . . . . . whose annual receipts from the sale of tobacco exceed $200 shall each pay $4.80 for each store, shop, or other place in which tobacco in any form is sold."

Held, that post exchanges, being Government agencies, are not required to pay the tax. *(Dugan* v. *United States, 34 Ct. Cls. 458.) (40-100, J. A. G., Dec. 30, 1914.)*

The Act of October 22, 1914, commonly known as the war revenue act, enumerates in Schedule B various articles under the heading, "Perfumeries and cosmetics and other similar articles," which are required to have affixed thereto, on each container, an adhesive internal revenue stamp of the prescribed denomination, and further provides that such articles in the hands of dealers on and after December 1, 1914, shall be subject to the tax, but that:

"It shall be deemed a compliance with this Act as to such articles in the hands of dealers on and after December as aforesaid who are not the manufacturers thereof to affix the proper

adhesive tax stamp at the time the packet, box, bottle, pot, or phial, or other inclosure with its contents is sold at retail."

Held, that post exchanges are dealers within the meaning of this provision of the Act and are not permitted to sell the articles subject to the tax without the prescribed revenue stamps thereon. *(90-313, J. A. G., Dec. 22, 1914.)*

II. POST EXCHANGES IN PARTICULAR.

A. Characteristics and Purposes of Post Exchanges.

298. GOVERNMENT AGENCY AND RECOGNIZED BY ACTS OF CONGRESS. The post exchange was not established by Congress, but is maintained under special regulations prepared by the War Department. It is a Government instrumentality and has been recognized by Congresses, as for instance, in the act of June 13, 1890 (26 Stat. 154), which prohibits the sale of intoxicating liquors in post exchanges in certain states, and the act of July 16, 1892 (27 Stat. 178), which authorizes the use by post exchanges of public buildings and public transportation when not required for other purposes. Congress has repeatedly appropriated money for the construction, equipment, and maintenance of suitable buildings at military posts and stations for the conduct of post exchanges. *C. 5394, Nov. 30, 1890; 12194, Mar. 12, 1902; 13104, Aug. 14, 1902; 15714, Jan. 18, 1904; 19268, Mar. 1, 1906.*

299. NOT A CORPORATION, BUT A CO-OPERATIVE STORE. A post exchange is not a corporation. It is a co-operative association of organizations, etc., which have paid for their share in the exchange. Articles donated to the exchange are donated to the association and such articles should be considered as part of the assets of the exchange, to be turned over, or accounted for, by its members to their successors. *P. 65, 127, May 26, 1894.* A post exchange is a voluntary unincorporated association between various military organizations. It is a joint venture to form a kind of coöperative store. *C. 27964, Mar. 6, 1911.*

B. Post Exchange Officer.

300. ALLOWANCE FOR SERVICES. *Held*, that there is no legal objection to an allowance to the post exchange officer out of the exchange funds, to offset in a measure the pecuniary risk which he is obliged to take. *C. 3108, Apr. 15, 1897.*

301. LITIGATION ON BEHALF OF THE POST EXCHANGE. As a post exchange is not a corporation but a voluntary association of organizations and the business is carried on by an officer of the Army detailed for that purpose who has full charge and represents the exchange in all its transactions, *held*, that litigation on behalf of the post exchange should be in the name of the exchange officer as exchange officer and on behalf of the exchange. *C. 19268, Mar. 1, 1906.*

302. EMPLOYMENT OF COUNSEL. As a post exchange is an instrumentality of the Government, the duties imposed on an officer in the management of the affairs of the exchange are as binding upon him as is any other duty to which he may be detailed under competent military authority. Therefore, if in the performance of his duties as an exchange officer it is necessary for him to have legal advice, he may properly apply under paragraph 1005, Army Regulations (996 of 1913), for such legal advice, and in a proper case request will be made upon the Department of Justice for the assistance of the proper United States attorney. So, *held*, where a post exchange contemplated bringing an action against a corporation for the price of certain articles sold to the exchange. *C. 19268, Mar. 1, 1906.* So where a so-called company exchange was carried on at a post by the consent of the commanding officer, although such exchange was not authorized by law or regulations, and an action was brought against individual officers for the debts of the concern, *held* that, owing to the fact that the exchange had existed by the authority of the commanding officer and owing to other peculiar circumstances of the case, it would be proper for the officers sued to request to be provided by the Government with counsel. *C. 20279, Apr. 20, 1907.*

303. NOT PERSONALLY RESPONSIBLE TO CREDITORS OF THE EXCHANGE. Paragraph 3, page 8, General Orders, 176, War Department, August 14, 1909, which publishes the regulations for the post exchange, provides: "The management of the affairs of the exchange will be conducted by an officer designated 'Exchange Officer,' selected and detailed by the commanding officer. The exchange officer is in charge of the exchange and is responsible for its management." *Held*, that the above language did not necessarily make an exchange officer personally responsible to an unpaid creditor of the exchange, the creditor not having been paid at the time the affairs of the exchange were closed. An exchange officer might become personally responsible to a creditor of an exchange if he assumed personal responsibility for the debt, or by his conduct had caused the creditor to lose his right to recover from the exchange. *C. 27964, Mar. 6, 1911.*

304. RESPONSIBILITY FOR SHORTAGE IN EXCHANGE FUNDS. A post exchange officer, having been charged with embezzlement of the exchange funds, made good the shortage. Having been acquitted of the charge, he requested that the amount paid by him to make good the shortage be refunded. *Held*, that the finding of the court martial had solely to do with the officer's culpability from the point of view of discipline, that the acquittal did not relieve him from financial responsibility, and that the amount paid by him to make good the shortage should not be refunded. *C. 17944, May 5, 1905.*

C. Limitations as to Business.

305. CAN NOT ACCEPT DEPOSITS FROM ENLISTED MEN. As the doing of a general banking business is not among the purposes for which a post exchange is established, *held*, that it would not be authorized to accept from a soldier a deposit for safe keeping. *C. 11155, Aug 31, 1901.*

306. CAN NOT COLLECT TAX ON DOGS IN POST. Where it was proposed at a military post to authorize the post

exchange to collect funds accruing from a tax on dogs in the post to be levied by the post commander, the purpose being to limit the number of dogs at the post, *held*, that as such a tax constituted an important restriction upon the military and police administration at the post and does not come clearly within the scope and meaning of the orders and regulations governing the sources of revenue that post exchanges may avail themselves of, recommended that the proposed tax be not authorized. *C. 27317, Sept. 30, 1910.*

307. COMPETITION WITH COMMERCIAL HOUSES. Applying the same principle (one department of the government securing supplies or service from another at cost price) to the operations of a post exchange (which is an instrumentality of the United States), a post hospital could properly contract without advertisement to have the hospital laundry work done at the post-exchange laundry, and on the other hand, as the post exchange is not a legal entity, and is exempt from burdens borne by private commercial institutions, such as rent, taxes, license fees, etc., it would be improper for it to compete with other bidders for public supplies or services. *C. 18156, Oct. 31, 1905.*

D. Credits by Post Exchange.

308. TO OFFICERS. It is well settled that a reasonable credit may be given to an officer by the post exchange for purchases made. *C. 20869, Jan. 11, 1907.*

309. TO ENLISTED MEN. An indebtedness from a soldier may be collected on the pay rolls or final statement notwithstanding the fact that such indebtedness may have resulted from giving the soldier a credit with the exchange in excess of that authorized by the regulations. *C. 10298, Mar. 18, 1911.* And where a post exchange suffered a loss by reason of the fact that an officer failed to charge against a soldier on the pay rolls a debt owing the exchange by a soldier, *held*, that the officer should make good the loss to the post exchange notwithstanding the indebtedness of the soldier to the post ex-

change was in excess of the credit authorized by the exchange regulations. *C. 14828, Dec. 26, 1903.*

E. Liability for Debts of Post Exchange.

310. OFFICERS IN GENERAL. As the membership of a post exchange consists of organizations, companies, or detachments of enlisted men, and as officers are not eligible to membership, *held*, that the officers of a post at which a post exchange is located are not liable for its debts. *C. 19533, Jan. 7, 1911.*

311. OF EXCHANGE COUNCIL AND EXCHANGE OFFICER. Where an exchange has suffered a loss, all officers responsible for such loss should be held for it. For instance, where losses extending over a period of two years were caused by neglect and mismanagement, *held*, that the post exchange council as well as the exchange officer should be held responsible for it. *C. 26516, Apr. 14, 1910.* So, *held*, where for six months the exchange officer and post exchange council failed to take steps to compel payment of an indebtedness of $54.39 owing by an officer and the officer resigned from the Army without having paid the debt. *C. 20869, Jan. 11, 1907.*

312. SHORTAGE IN ACCOUNTS; RESPONSIBILITY. Upon an examination of the accounts of a certain post exchange the Inspector General's Department found a shortage in the accounts for each month for the period from August 1, 1913, to June 15, 1914, aggregating $655.84. The accounts had not been kept in accordance with the requirements of the post exchange regulations and it was evident that the loss might readily have been detected by proper auditing of the accounts by the members of the post exchange council, as required by regulations. During the period mentioned the post exchange council took no inventory of the stock, notwithstanding the requirements of the regulations that such inventory be taken by them quarterly or oftener.

Held, that post exchanges being agencies of the Government, the duties imposed upon officers in the management of their affairs are as binding upon them as any other duty to which

they may be assigned under competent military authority; that when the property or funds of an exchange are lost through mismanagement or neglect of such officers the least that can or should be exacted, in the public interests, is that they make good the loss; that this principle applies as well to members of an exchange council as to the exchange officer; and that in the instant case it was the duty of the Department, in the public interests, to direct the entry of stoppages against the pay of the several members of the exchange council and of the exchange officer, in equal sums, to cover the shortage. *(40-100, J, A. G., Feb. 24, 1915.)*

F. Post Exchange Buildings.

313. CONSTRUCTION OF BUILDINGS. The Post Exchange Regulations of May 1, 1899, provided that the post commander "when sufficient exchange funds are available may cause a suitable building to be erected for the purpose, and if a temporary building, or if constructed wholly or in part by the labor of troops, use of the necessary teams and such tools, window sash, doors, and other material as can be spared by the Quartermaster's Department is authorized, but no permanent structure will be erected on a reservation without first obtaining the authority of the Secretary of War. Expenses of repairs or alterations of public buildings for use of the exchange will be borne by the exchange when they can not be provided for by the Quartermaster's Department." Where a post exchange building at Fort Egbert, Alaska was erected by authority of the Secretary of War without cost to the Government, except that the doors, windows, nails, and chimney tiles were furnished by the Quartermaster's Department, *held*, that the building did not become the property of the Government by reason of furnishing the doors, etc., but became an asset of the exchange and should be so treated, subject to the claim of the Government for the doors, etc. *C. 10034, Oct. 15, 1901.* Where a building was erected on a reservation without the authority of the Secretary of War as an addition to a public building which had been set aside for the use of the post

exchange, *held*, that the addition so erected without authority became the property of the United States. *C. 10305, May 14, 1901.* Where a building was erected by a post exchange under a license by the Secretary of War, *held*, that if the license was revoked and the building could be removed so as to realize an amount in excess of the damage to the reservation and other property of the United States, the removal of the building should be permitted, but if this could not be done the building should be held to be the property of the United States. *C. 10305, May 14, 1901.*

G. Appropriations for Post Exchanges.

314. HOW EXPENDED. The appropriation for post exchanges, which provides for the "construction, equipment, and maintenance of suitable buildings at military posts and stations for the conduct of the post exchange, school, library, reading, lunch, amusement room and gymnasium," and which is expended "in the *discretion* and under the direction of the Secretary of War," being intended to serve a very broad purpose, should be liberally construed, and is, therefore, *held* to cover the construction of fences, grand stand, seats, etc., for an athletic field *(C. 14970, May 13, 1907);* the laying out of golf links at a post *(C. 14970, Dec. 8, 1908);* the purchase of apparatus for outdoor as well as indoor athletics *(C. 14970, Jan. 30, 1909);* the expense of constructing a fence for a deer park *(C. 22337, Nov. 7, 1907);* and could legally be expended for the purchase from a post exchange of a building erected by it for post exchange purposes *(C. 13365, Sept. 29, 1902; 15026, July 29, 1903; 26607, Apr. 29, 1910).* But as the appropriation is for *buildings, held*, that it would not cover an expenditure for a tent in which to quarter temporarily the post exchange during Army maneuvers *(C. 25057, June 5, 1909)*, nor would it cover the purchase of polo balls and mallets *(C. 25575, Sept. 17, 1909)*, and, as the post exchange is intended to be a local institution belonging to a post, and not to move about with troops, *held* that the appropriation would not cover an expenditure for a tent that was intended to

be a part of the movable equipment of a regiment. *C. 27950, Mar. 6, 1911.* And, *held*, also, that although the Government appropriates for the construction of the post exchange building, still as the exchange itself is an instrumentality of the Government composed of military units, for which Congress makes no appropriation whatever, such items as a safe and a cash register which are not part of the equipment of the building, but are rather the equipment of a commercial enterprise conducted in the building, should be furnished by the post exchange itself, and are not a proper charge against the appropriation. *C. 20299, Aug. 29, 1906.* As the post exchange is an agency of the War Department, maintained for the benefit of enlisted men, and as the profits derived from its operation are exclusively applied to their company fund, the appropriation for the support of post exchanges should be expended for the exclusive benefit of enlisted men. *C. 14970, May 4, 1910.* Therefore, this appropriation should not be expended for the laying out of golf links unless for the exclusive use of enlisted men. *C. 14970, Dec. 8, 1908.* So, also, it could not be expended for furniture for an officer's mess. *C. 15674, Dec. 18, 1903.*

H. Membership and Dividends.

315. MEMBERSHIP CONTINUOUS REGARDLESS OF PERSONNEL. In 1896 a dividend was due the organizations constituting a post exchange, but was not paid because the bank in which the money was deposited suspended payment. In 1903 the bank resumed payment and a new certificate of deposit was issued in favor of the officer who was exchange officer at the date of the bank's suspension. *Held*, that as the companies were continuing organizations the dividends due them in 1896 should be paid to them. *C. 14928, July 8, 1903.* So, in 1900, the post exchange at Ponce, P. R., was indebted to the post exchange at San Juan, P. R., but failed to pay the debt and the organizations at both stations were ordered away. In 1903 it was *held* that as a company fund is a continuing fund and does not depend upon the personnel of the company,

and as it belongs, not to the individual members of a company but to the company as a unit, the companies constituting the Ponce exchange in 1900 should pay to the organizations comprising the San Juan exchange in 1900 the amount of the indebtedness of the Ponce exchange at that time. *C. 15428, Oct. 27, 1903.* Where a post exchange officer was required over his protest to pay out of his private funds for certain supplies ordered furnished and used by the post exchange, and the organizations constituting the exchange had been ordered to another station and the exchange was dissolved, *held*, that as an exchange is a voluntary unincorporated association between various military organizations and constitutes a joint venture to form a kind of coöperative store, the various organizations comprising it are liable to third parties for obligations incurred on account of the joint business. Ordinarily the liabilities incurred on the joint account are extinguished by the post exchange itself, but if in a particular case, such as the present, it is impracticable to have the exchange pay the obligation, the several organizations comprising it would still remain liable as individual partners remain liable for partnership debts after the dissolution of a partnership. Therefore, *recommended*, that the post exchange officer be reimbursed for his involuntary payment by the several organizations comprising the exchange at the time the indebtedness was incurred. *C. 27964, Mar. 6, 1911, and Oct. 3, 1911.*

316. APPRAISEMENT OF EXCHANGE ON CHANGE OF MEMBERSHIP. Prior to the admission of a new organization to an established post exchange, a board of officers, as required by exchange regulations, made an examination of the affairs of the exchange and adjusted the accounts and values. No appeal was taken from the findings of the board to the department commander. Subsequently it was discovered that some of the bills due the exchange were valueless and some bills due by the exchange, the existence of which were not known before, were presented for payment. *Held*, that questions as to liability of members of an exchange should be considered as finally determined by the action provided by exchange regu-

lations except in cases where, after a settlement, fraud is alleged or facts are discovered bearing on the value of the membership in the exchange which were not known at the time the values were adjusted and which were not known to those having the adjustment in charge. In such an exceptional case it would be proper for the department commander to appoint a board to investigate the facts and recommend equitable settlement. *C. 19178, Feb. 9, 1906. Held,* further, that it was the intent of the exchange regulations that the action of the department commander should be final and that such cases should not be forwarded to higher authority. *C. 19248, Mar. 6, 1906.*

317. DISTRIBUTION OF DIVIDENDS. A hospital corps detachment bought into the post exchange on a basis of 12 men in the detachment. The number of men having been reduced to 6, the dividends of the exchange were distributed to the detachment on the basis of 6. *Held,* that although membership in an exchange is by organization, the exchange regulations take into consideration the size of the organization, the size on joining being taken from the number of men present at the time of joining, whereas the dividends are calculated on the basis of the whole number of men who have been present with the organization during the period covered by the distribution. Therefore, the method of distribution on the basis of six was in accordance with the exchange regulations. *C. 20043, July 11, 1906.*

318. ENGINEER DETACHMENT: DISTRIBUTION OF THE PROFITS OF POST EXCHANGE AFTER THE ACT OF AUGUST 9, 1912. General Orders provide that a certain amount of the profits of a post exchange shall be distributed:

"2. Where the members belong to the Corps of Engineers it will be paid to the Engineer Band.

* * * * * * * * * *

"4. Where the members belong to organizations having no band, it will be paid to the band serving at the post if there be one, otherwise to such members."

The act of August 9, 1912 (Public No. 253, p. 3), appropriating for the Military Academy for the fiscal year 1913, provides that—"Hereafter there shall be maintained at the United States Military Academy an engineer detachment which shall consist of"—a certain number of noncommissioned officers and privates.

Held, that such detachment, although retaining its character of engineer troops, becomes an independent organization pertaining to the Military Academy alone and removed from the Corps of Engineers as a part of that organization; and not having a band, its proportion of the profits of the post exchange, coming within the operation of said General Orders, should be paid to the band serving at the post. *8-140, Aug. 24, 1912.*

319. WITHDRAWAL OF MEMBERS FROM: APPRAISAL OF SHARES AND PARTICIPATION IN PROFITS. A regiment stationed at a post where there was a post exchange, in which its constituent organizations held membership, was under orders to go to the Philippines, and the value of the shares of the respective organizations was appraised by a board as of date August 25, 1911. The board further recommended that the regimental organizations be paid their share of accrued profits to the date of their departure from the post. This recommendation was not approved by the exchange council, and the commander concurred in its action. *Held*, that the organizations of the regiment ceased to be be members of the exchange after August 25, 1911, and were not responsible for the debts of the exchange nor entitled to share in its profits after that date, and that the recommendation of the board of appraisers was simply advisory and did not deprive the exchange council of its authority to determine whether or not the organizations of the regiment should participate in the profits of the exchange after said date. *40-142, Sept. 28, 1912.*

320. VOLUNTEER BAND AT POST. Where a "volunteer band" was organized at a military post by soldiers volun-

tarily associating themselves for that purpose, the band not being one recognized by the statutes or regulations, but furnishing martial music for the post, *held*, that it would be proper to apply a portion of the profits of the post exchange for the support of the band. *C. 14893, July 1, 1903.* A "volunteer band" is not entitled to share in the allotment of 5 per cent of the net profits of a post exchange. *C. 23870, May 24, 1911.*

I. Miscellaneous.

321. INDEPENDENT AND BRANCH EXCHANGES AT THE SAME POST. As post exchanges are created by orders there is no legal objection to the establishment of one exchange with several branches at a military post, or to the establishment of several independent exchanges at the same post, as, for instance, several regimental exchanges. *C. 27345, Oct. 11, 1910.*

322. READJUSTMENT OF ACCOUNTS WITH PAYMASTER. A soldier's final statement which had been transferred to a post exchange was cashed by a paymaster. It was subsequently discovered that the paymaster had overpaid the post exchange. By the time the discovery was made the membership of the post exchange had changed. *Held*, that as the post exchange is an instrumentality of the Government and a part of the military system of administration, the accounts between the paymaster and the post exchange could be ordered to be readjusted. *C. 24167, Dec. 2, 1908.*

323. PROCEEDINGS OF THE EXCHANGE COUNCIL. Paragraph 318, Army Regulations, 1910, (318 of 1913) provides that the proceedings of the post exchange council will be submitted to the post or other commander, who will sign his approval or objection in the council book, and that should the post or other commander disapprove the proceedings, and the council, after reconsideration, adhere to its conclusions, a copy of the proceedings will be sent by the commanding officer to the department commander, whose decision thereon will be final. *Held*, that the "proceedings" referred to by this

paragraph is the record of the action taken by a majority of the council, and it is upon this record that the post or other commander must note his approval or disapproval, as the case may be. While there can be no objection to a minority report being appended to the proceedings of the council, such minority report, however, represents merely the personal views of the minority and is not the "proceedings" to be approved or disapproved. Therefore, where the action taken by the post commander consisted in the approval of the minority report, *held*, that it did not constitute a compliance with the above regulations. *C. 29268, Nov. 28, 1911.*

324. REGIMENTAL ADJUTANT MAY RECEIPT FOR EXCHANGE FUNDS ON DEATH OF EXCHANGE OFFICER. At the time a bank went into the hands of a receiver it had funds on deposit in the name of the regimental exchange officer. Before a dividend was declared this post exchange officer died. *Held*, that it would be proper for the regimental adjutant to receive and receipt for the dividends. *C. 16517, June 28, 1904.*

325. TRANSFER OF GOVERNMENT PROPERTY TO POST EXCHANGES AT COST PRICES. Post exchanges, having been recognized by statute as Government agencies, a bureau of the Government may legally transfer property to the post exchange at cost price. *C. 20993, Jan. 26, 1907.*

326. TELEGRAMS OVER GOVERNMENT LINES. The cost of telegraphic messages over the lines of commercial companies on exchange business does not constitute a lawful charge against the appropriations for the payment of telegrams on public business, but as the post exchange is an instrumentality of the Government, such messages should be transmitted free over lines owned and operated by the War Department. *C. 19479, Mar. 26, 1910.*

327. OVERPAYMENT ON FINAL STATEMENTS. A discharged soldier transferred his final statements to a post exchange officer, who thereupon advanced him from the post

exchange funds $75 and forwarded the statements to a paymaster. Upon receipt from the paymaster of a check for $102.79 in payment of the final statements, the post exchange officer remitted $27.50 to the discharged soldier, retaining 29 cents to cover postage, registration fee, and cost of money order. Five months later the paymaster discovered that he had made an overpayment through his own error in computation, and called upon the post exchange to reimburse him on the ground that it had received public money to which it was not entitled. The post exchange disallowed the claim, setting forth in its proceedings that "the post exchange is expressly debarred from making any profit by these transactions, exchange officers being required to certify on each of the statements that they were cashed as a matter of accommodation to the soldier and without profit to the post exchange; that in consequence it has been the custom to make an advance or partial payment to the men and upon receipt of the paymaster's check to make final settlement; that the Government does not furnish the exchange officer with any facilities for making computations in these cases, and hence he is obliged to regard the paymaster's check in settlement as officially accurate and final." *Held,* that the loss should not fall on the post exchange, as under the circumstances it acted simply as the agency through which payment was made by the paymaster to the soldier and was in no way responsible for the error. The soldier and not the post exchange was the debtor to whom the paymaster should look for reimbursement for the overpayment. The error having been made by the paymaster the loss should fall on him under Army Regulations, 665 (654 of 1913). *C. 7589, Jan. 28, 1900.*

328. FRAUD COMMITTED BY EXCHANGE STEWARD IN THE MANAGEMENT OF AN EXCHANGE A MILITARY OFFENSE. The post exchange is a part of the administrative machinery of the Army established by Army Regulations, which have the force of law. A fraud committed by the steward of a post exchange in its management is, therefore, clearly a military offense. *C. 5255, Nov. 15, 1898.*

329. FUEL AND LIGHT. *Held*, that the appropriation in an Army appropriation act, "for fuel and lights for enlisted men," included the fuel and lights required at a canteen, since thus used they are for "enlisted men," almost if not quite so much as when used in their places of messing and sleeping. But as the act authorizes a *sale* of articles for fuel or light for cash to "officers" only, a sale could not be made to a canteen. Even though the official in charge of a canteen is a commissioned officer, a sale to him of such material would not be for his use but for that of the canteen and, therefore, unauthorized. *P. 51, 239, Jan. 7, 1892.* Paragraph 1051, Army Regulations of 1904 (1060 of 1910), provided that the allowance of fuel to be issued to a post exchange should be such quantity as might be certified to by the officer in charge and approved by the commanding officer. *Held*, that the regulation would apply to a post exchange which maintains a laundry as well as to one which does not. *C. 21521, May 13, 1907.*

330. LEASING OF PORTIONS OF MILITARY RESERVATIONS FOR THE BENEFIT OF POST EXCHANGES. Portions of a military reservation had been leased upon shares to private individuals, the rental in kind to be turned over to the post exchange of the post, to be used by said exchange in maintaining a dairy and for feeding animals, including a small number of hogs. It was the intention to increase the number of cows so that the dairy would be able to supply organizations and individuals with dairy products, and also to increase the herd of hogs so as to supply organizations with meat.

Held, that while it has been the practice to permit military organizations to cultivate limited areas of reservations to supplement the rations furnished by the Government for the subsistence of enlisted men, it has not been the practice to lease Government lands under agreements providing for rental in kind and permitting the appropriation of the rentals by such organizations; and that the facts in this case disclosed the necessity for restricting the activities of post exchanges in

business enterprises within more limited bounds. *40-100, J. A. G., Oct. 6, 1913.*

331. RETIRED OFFICER: ASSIGNMENT OF TO ACTIVE DUTY AS EXCHANGE OFFICER. A retired Army officer expressed a desire to be assigned to active duty as post exchange officer at a post where troops were serving. The act of April 23, 1904 (33 Stat., 264), provides that:

"The Secretary of War may assign retired officers of the Army, with their consent, to active duty in recruiting, ... and to staff duties not involving service with troops."

A post exchange officer is selected and detailed by the post commander, and as such is under the command and performs duties under the supervision of the same authority.

Held, that the duties of a post exchange officer are not distinct from those of an officer serving with troops, but are habitually performed by an officer so serving, and that this officer might not lawfully be assigned to the duty in question. *88-600, J. A. G., Apr. 8, 1913.*

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